

1 IN THE COUNTY OF WASHINGTON

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3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

4 VIRGINIA GAS AND OIL BOARD

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7  
8 DECEMBER 14, 2004

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11 APPEARANCES:

12 MASON BRENT - OIL & GAS REPRESENTATIVE

BILL HARRIS - PUBLIC MEMBER

13 PEGGY BARBAR - PUBLIC MEMBER

BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN

14 DONALD RATLIFF - COAL REPRESENTATIVE

JIM McINTRYE - CITIZEN APPOINTEE

15  
16 SHARON PIGEON - OFFICE OF THE ATTORNEY GENERAL

17 BOB WILSON - DIRECTOR OF THE DIVISION OF GAS & OIL AND  
18 PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

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1       \*\*Approve minutes from last hearing  
2       \*\*\*Agenda attached

3               BENNY WAMPLER: I'll call the meeting to order.

4       Good Morning, my name is Benny Wampler. I'm Deputy Director  
5       for the Department of Mines, Minerals and Energy and Chairman  
6       of the Gas and Oil Board. I'll ask the members to introduce  
7       themselves, starting with Mr. Brent.

8               MASON BRENT: Good Morning, my name is Mason Brent.

9       I'm from Richmond and I represent the Gas and Oil Industry.

10              BILL HARRIS: I'm Bill Harris, a public member from  
11       Wise County.

12              SHARON PIGEON: I'm Sharon Pigeon with the Office  
13       of the Attorney General.

14              DONALD RATLIFF: I'm Donnie Ratliff from Wise  
15       County representing the Coal Industry.

16              JIM MCINTYRE: I'm Jim McIntyre, Wise, Virginia, a  
17       public member.

18              BOB WILSON: I'm Bob Wilson. I'm the Director of  
19       the Division of Gas and Oil and principal executive to the  
20       Staff of the Board.

21              BENNY WAMPLER: The first item on today's agenda is  
22       a petition from CNX Gas Company, LLC for disbursement of  
23       funds from escrow and authorization for direct payment of  
24       royalties on Tracts 3, 5, 7 and 8, Unit T-16. This is docket

1 number VGOB-94-1024-0476-01. We'd ask the parties that wish  
2 to address the Board in this matter to come forward at this  
3 time.

4 MARK SWARTZ: Mark Swartz and Anita Tester...Anita  
5 Duty.

6 BENNY WAMPLER: I was giving you time to let that  
7 soak in.

8 MARK SWARTZ: All right.

9 BENNY WAMPLER: It's early. The record will show  
10 there are no others. You may proceed.

11 MARK SWARTZ: You probably need to swear the  
12 witness.

13 (Witness is duly sworn.)

14

15 ANITA DUTY

16 having been duly sworn, was examined and testified as  
17 follows:

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. SWARTZ:

20 Q. You need to state your name for the record.

21 A. Anita Duty.

22 Q. Who do you work for?

23 A. CNX Gas Company.

24

--

1 Q. Did you do the accounting work with regard  
2 to Unit T-16 and the petition for payout of escrow?  
3 A. Yes.  
4 Q. Tell the Board what you did.  
5 A. I was able to balance the account. I put on  
6 the spreadsheet showing the percentages that needed to paid  
7 to each owner and the ones on the disbursement order are  
8 highlighted in yellow. For Tract 2, we should pay Francis  
9 Johnson 0.0444%, Joan Brantner is 0.0444%, Elmer Reedy  
10 0.1999%.  
11 Q. He called T-16.  
12 A. Oh, I'm sorry.  
13 Q. Okay. Let's start over.  
14 A. All right.  
15 Q. What did you do with regard to T-16?  
16 A. T-16, the accounts were balanced and, okay,  
17 for Tract 3, we need to disburse Buchanan Production Company  
18 3.1375%, and the same for Harrison-Wyatt, LLC. For Tract 5,  
19 0.3098% to Francis Johnson, 0.3098% to Joan Brantner, 1.3939%  
20 to Elmer Reedy, 1.3939% to Dorothy Sodoiski, I think.  
21 Q. Sodoiski, right.  
22 A. And Buchanan Production Company 0.3098, and  
23 the same would be paid to Harrison-Wyatt, the total percent  
24

1 of all of those together.

2 Q. Okay. And then we've got another tract,  
3 right?

4 A. For Tract 7, 0.0047% to Buchanan Production  
5 Company, and Harrison-Wyatt, LLC would be paid the same.  
6 Tract 8, Francis Johnson and Joan Brantner would be paid  
7 0.0002%, Elmer Reedy and Dorothy Sodoiski would be paid  
8 0.0008%, and Buchanan Production 0.0002%, and the same to be  
9 paid to Harrison-Wyatt, LLC.

10 Q. And in addition to paying these...these  
11 percentages apply to the sum on deposit in escrow, you're  
12 also requesting that the Board authorize the operator to pay  
13 these people directly in the future consistent with their  
14 split agreements, correct?

15 A. Yes.

16 Q. That's all I have.

17 BENNY WAMPLER: Questions from members of the  
18 Board?

19 BOB WILSON: Mr. Chairman.

20 BENNY WAMPLER: Mr. Wilson.

21 BOB WILSON: Give me just a second here, please, if  
22 you don't mind to look at this one.

23 MARK SWARTZ: While he's looking.

24

--

1 Q. Anita, would you...would you tell the Board  
2 about the fact that there are two accounts for this unit and  
3 what you did in that respect?

4 A. For some reason there was one deposit in one  
5 account and then, you know, the remainder of all of the  
6 deposits have gone into another. So, to make it easier, the  
7 two accounts need to be combined together.

8 Q. Why don't you give them the numbers?

9 A. The VGOB numbers are 92-1215-0304 and VGOB-  
10 94-1024-0476.

11 Q. And when you combine the balances in these  
12 accounts, that results in it balancing?

13 A. Yes.

14 Q. And, obviously, if you don't, it doesn't?

15 A. Right.

16 SHARON PIGEON: Could you repeat those for me,  
17 please?

18 MARK SWARTZ: Yes. It's 94-1024-0476 and 92-1215-  
19 0304.

20 BENNY WAMPLER: And you're asking to combine those?

21 MARK SWARTZ: Right, for purposes of the  
22 calculation.

23 ANITA DUTY: Before the disbursement, yeah.

24

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1           MARK SWARTZ: And, frankly, it probably wouldn't be  
2 a bad idea to just have the escrow agent combine them period.  
3           SHARON PIGEON: It accidentally went there?  
4           MARK SWARTZ: I would imagine, yes.  
5           BENNY WAMPLER: Yeah, that would be better if we're  
6 going to do it.  
7           ANITA DUTY: The '94 account needs to be  
8 eliminated. That's not actually where the escrow should be.  
9 It should be under the '92.  
10          BENNY WAMPLER: So combine and eliminate '94 and  
11 put under '92?  
12          ANITA DUTY: Uh-huh.  
13          MARK SWARTZ: Correct.  
14          BENNY WAMPLER: Okay.  
15          BOB WILSON: I was...I was comparing the original  
16 supplemental order for Unit T-16 here, which is an old one  
17 relative to what we're doing here. But in Tract 3, I don't  
18 find W. H. Reedy heirs listed, much less any of these names  
19 that are here.  
20          DONALD RATLIFF: We're in 5.  
21          BENNY WAMPLER: Tract 5.  
22          BOB WILSON: I'm sorry, Tract...well, the same as  
23 Tract 5. Okay, Tract 5 does have W. H. Reedy, but it doesn't  
24

1 have any of these individuals. Tract 7, I think, doesn't  
2 have W. H. Reedy heirs.

3 BENNY WAMPLER: That's 8 here.

4 BOB WILSON: 7 is one of the tracts that got  
5 disbursed, right?

6 BENNY WAMPLER: I understand W. H. Reedy heirs was  
7 in 8 as they presented here.

8 ANITA DUTY: 5 and 8.

9 BOB WILSON: Yeah, I see what you're getting at.  
10 Basically, I guess my (inaudible) here, when we go to do  
11 these orders, we need to have continuity from the last one to  
12 the next one and I don't find Francis Johnson, Joan Brantner,  
13 Elmer Reedy, Dorothy Sodoiski listed in these old orders.  
14 I'm not sure I---.

15 BENNY WAMPLER: Supplemental orders.

16 ANITA DUTY: I think what they are, they're  
17 actually heirs of someone that was in the original pooling  
18 that was done in '92. So I can...I'll give you that  
19 information.

20 BOB WILSON: Possibly affidavits linking the one  
21 document to the next. I'll leave that up to you folks.

22 SHARON PIGEON: How did you get those names?  
23 Wills?

24

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1           ANITA DUTY: Either that, or if someone sent in a  
2 death certificate, or affidavit of heirship, or something.  
3 This is, like I said, it's old; it was done in '92.  
4           SHARON PIGEON: So you have documents that you  
5 could attach to your affidavit?  
6           ANITA DUTY: Right. We don't change anything  
7 unless we have a Will, or affidavit of heirship.  
8           SHARON PIGEON: Affidavits with the documents  
9 attached.  
10          BENNY WAMPLER: So part of any motion here for  
11 approval would be that they provide affidavits with  
12 supporting documents to tie the supplemental orders  
13 previously to the current request? Anything further?  
14          MARK SWARTZ: No.  
15          BENNY WAMPLER: Is there a motion?  
16          DONALD RATLIFF: So moved, Mr. Chairman, with those  
17 stipulations.  
18          JIM McINTYRE: Second.  
19          BENNY WAMPLER: Motion and second. Any further  
20 discussion?  
21          (No audible response.)  
22          BENNY WAMPLER: All in favor, signify by saying  
23 yes.  
24

1 (All members say yes.)  
2 BENNY WAMPLER: Opposed, say no.  
3 (No audible response.)  
4 BENNY WAMPLER: You have approval. The next item  
5 on the agenda is a petition from CNX Gas Company, LLC for  
6 disbursement of funds from escrow and authorization for  
7 direct payment of royalties on Tract 2, Unit T-15. Docket  
8 Number VGOB-92-1215-0306-01. We'd ask the parties that wish  
9 to address the Board in this matter to come forward at this  
10 time.  
11 MARK SWARTZ: Mark Swartz and Anita Duty.  
12 BENNY WAMPLER: The record will show there are no  
13 others. You may proceed.  
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ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you need to state your name again.

A. Anita Duty.

Q. Who do you work for?

A. CNX Gas Company.

Q. Did you do the accounting work with regard to T-15 and the disbursement request?

A. Yes.

Q. Tell the Board what you did?

A. I was able to balance the account and I want to do a disbursement for Tract 2 for Francis Johnson and Joan Brantner, paying 0.0444%; Thelma Reedy and Dorothy Sodoiski 0.1999%; and Buchanan Production Company 0.0444%. And for Tract 3, Buchanan Production Company 0.0614; and pay the same to Harrison White, LLC.

Q. And the coal owner in Tract 2 is?

A. Harrison White, LLC, also.

Q. So that would be the same on mine, as well?

A. Yes.

1           Q.       And obviously, by paying these percentages  
2 of the total escrow account, it would take care of these  
3 folks and their conflicting claims. Are you requesting also  
4 that the Board, as we go forward, authorize the operator to  
5 pay these folks their one-half shares consistent with their  
6 royalty split agreements as opposed to escrowing their funds?

7           A.       Yes.

8           MARK SWARTZ: That's all I have.

9           BENNY WAMPLER: Do they have the same issue with  
10 the address as well?

11          MARK SWARTZ: Yes, sir.

12          BENNY WAMPLER: We would ask for the affidavit and  
13 supporting documents to tie the previous supplemental order.  
14 Any questions from members of the Board?

15          DONALD RATLIFF: You have a motion for approval,  
16 Mr. Chairman.

17          JIM McINTYRE: Second.

18          BENNY WAMPLER: Second. Motion and second. Any  
19 further discussion?

20               (No audible response.)

21          BENNY WAMPLER: All in favor, signify by saying  
22 yes.

23               (All members say yes.)

24

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1           BENNY WAMPLER: Opposed, say no.

2           (No audible response.)

3           BENNY WAMPLER: You have approval. The next item  
4 on the agenda is a petition from CNX Gas Company LLC for  
5 further consideration of field rules allowing for horizontal  
6 drilling units in the Maiden Springs District of Tazewell  
7 County. Docket Number VGOB-04-0921-1341-01. We'd ask the  
8 parties that wish to address the Board in this matter to come  
9 forward at this time.

10          MARK SWARTZ: Mark Swartz and Les Arrington.

11          BENNY WAMPLER: The record will show there are no  
12 others. You may proceed.

13          MARK SWARTZ: Mr. Chairman, I think that the  
14 testimony that's being offered here is a publication issue  
15 which I think we solved that problem since the last hearing.

16          BENNY WAMPLER: We'll just ask you to update the  
17 Board on it.

18                           LESLIE K. ARRINGTON  
19 having been duly sworn, was examined and testified as  
20 follows:

21                           DIRECT EXAMINATION

22 QUESTIONS BY MR. SWARTZ:

23           Q.       Les, why don't you tell us what you did and  
24

--

1 where we're at?

2           A.       Yes. This is for the horizontal drilling  
3 that we're planning over to the east of the existing Oakwood  
4 field. We testified here previously on the geology and what  
5 our plans were on the drilling, and last month...the only  
6 thing we lacked last month was to have a public notice and  
7 one certified mailing, which we have done.

8           Q.       Did you mail to Cabot, I take it?

9           A.       Yes, we did.

10          Q.       And published in the paper?

11          A.       We did.

12          Q.       Have you filed those proof of mailing and  
13 proof of publication with Mr. Wilson?

14          A.       That's what Anita is passing out now.

15          Q.       Okay.

16          MASON BRENT: Mr. Chairman.

17          BENNY WAMPLER: Mr. Brent.

18          MASON BRENT: The testimony that was given last  
19 month, as I recall, was fairly brief, so it might be a good  
20 idea to get them to go over it before the Board.

21          BENNY WAMPLER: We'll ask them to do that.

22          A.       You'll notice on the map I passed out there,  
23 there's two red long horizontal looking legs set on there,

24

--



1 one on the north side and one on the south side. The north  
2 side is the one we came in and originally done our first  
3 testimony on doing the horizontal drilling. Due to the fact  
4 that we...two things, we ran into surface opposition there,  
5 which we're attempting to get worked out on the northern  
6 well. And now we're starting to see a little bit of success.  
7 We'd like to drill the one in the south, and the geology is  
8 the same. The one on the south area is an area that we  
9 pretty much own the CBM in fee in that area. And to give you  
10 additional information, I will be coming back, not...it won't  
11 be next month, but it will certainly be in February for  
12 additional horizontal wells in the southern area, not just  
13 this one, but I will be coming back for additional  
14 horizontals there. The horizontals will be in...generally be  
15 in the Pocahontas No. 3 and 4 seam. The legs on them will be  
16 in the neighborhood of 4,000 feet. The one thing that we're  
17 requesting in a location exception because we do have two  
18 wells that are within 500 feet of one another.

19 BENNY WAMPLER: Is that...on the map then is what  
20 you published, you have TA-61 and TA-62.

21 A. Yes, sir. That is the two wells that we'll  
22 be drilling for the horizontal wells in the south.

23 BENNY WAMPLER: Okay. And what are the wells that  
24

1 you need exceptions from?

2 A. Well, TA-61 and 62 are within 500 feet of  
3 one another. We want those holes within 300 feet of one  
4 another.

5 BILL HARRIS: One is the access and the other is  
6 the production?

7 A. Yes, sir, it is.

8 BILL HARRIS: Is that what I remember in that?

9 A. Yes.

10 MARK SWARTZ: The hole that is where the legs  
11 intersect is going to be the production hole, and the hole  
12 behind that is the access---.

13 BILL HARRIS: So you can get the angle.

14 MARK SWARTZ: ---to drill, but you know, it's the  
15 way the definitions are in the Virginia Gas and Oil Act, both  
16 of those are wells.

17 BILL HARRIS: One other question, Mr. Chairman.  
18 The blue squares that you have, I remember we talked...I  
19 wasn't here last meeting, but the one before I think when you  
20 first presented this, we talked about extending the field  
21 rules from the left. Is that what that represents?

22 A. Yes, sir, for horizontal drilling. What  
23 I've done here is, I've projected the Oakwood grid out and  
24

1 what I'm doing on the south side, the Oakwood grid is down  
2 toward to where the fault lines intersect, come through there  
3 on the site. Pretty much, there's no coal on the south of  
4 us. On the north, I ran then them up to the state line.

5 MASON BRENT: And that's just the grid, not the  
6 Oakwood rules?

7 A. That's correct. It will be the grid for the  
8 horizontal drilling program in that area.

9 BENNY WAMPLER: How is the program working so far?

10 A. To this point, we haven't drilled down here  
11 yet. The operations and this procedure that we're doing in  
12 northern West Virginia, Pennsylvania is working pretty well.

13 BENNY WAMPLER: As well as a single well, better?

14 A. Yes.

15 BENNY WAMPLER: Better?

16 A. Uh-huh.

17 BENNY WAMPLER: Any other questions from members of  
18 the Board?

19 BOB WILSON: Mr. Chairman.

20 BENNY WAMPLER: Mr. Wilson.

21 BOB WILSON: When the Board approved the northern  
22 horizontal units, basically they approved that project as an  
23 entity with the idea that these folks would come back and

24

--

1 extend the grid to whatever limit they had wanted to  
2 recommend. I guess I have a question for the Board as much  
3 as anything else. Are we now going to extend that grid  
4 throughout here and will we be able to handle permitting on  
5 an individual basis so long as it falls in these units, or  
6 are they going to have to come back before the Board for each  
7 and every one of these horizontal units they decide to do?

8 A. Could I ask a question?

9 BENNY WAMPLER: You can ask a question.

10 A. Also, in that, these wells are going to be  
11 within 3-400 feet of one another, so would Bob have that  
12 authority?

13 BENNY WAMPLER: Well, not unless we give it to him  
14 specifically. That's what he's asking the question for.

15 BOB WILSON: And I think in the last time this came  
16 through, the Board decided that the location exception was  
17 not necessary for these two wells, in other words, from each  
18 other because it's included in the field rule that they're  
19 allowed to drill those two wells in order to do this project.

20 BENNY WAMPLER: The provisional field rule?

21 BOB WILSON: Yeah.

22 BENNY WAMPLER: And this would be a continuous...  
23 this is still under provisional. It's up to the Board. It's  
24

1 one of those where we got a provisional field rule out here  
2 extending the field, and you say you've done it the way we  
3 provisionally extended for these purposes. And restate your  
4 question.

5 BOB WILSON: Okay. My question is, in the future  
6 will the applicant, any applicant in this area, be able to  
7 submit permits to me for any horizontal project anywhere  
8 within this defined area without having to come back before  
9 the Board, and will we as permitting agency have the  
10 authority to grant that location exception for the two wells  
11 that it takes to construct this project without again having  
12 individual Board action for each one?

13 BENNY WAMPLER: Open discussion for the Board, what  
14 do you think?

15 DONALD RATLIFF: I don't see a problem as long as  
16 they control both of them. They're going to have to control  
17 both of them to make it work. It's just a routine process  
18 that's going to have to take place in the normal production  
19 cycle. I don't see that you need to come back.

20 BENNY WAMPLER: Do you have a recommendation, Mr.  
21 Wilson?

22 BOB WILSON: Yes, sir. I would recommend from the  
23 standpoint of permitting that the area they have submitted  
24

1 here be accepted as an area in which they can drill  
2 horizontal projects using two wells for each project and that  
3 we be able to approve those permits as long as they fall  
4 within whatever restraints you put on those field rules, that  
5 we be able to approve them for any portion of this area shown  
6 in the blue squares to the right hand side of the Oakwood  
7 grid here.

8               DONALD RATLIFF: I move that we adopt that  
9 provision.

10              JIM MCINTYRE: Second.

11              BENNY WAMPLER: Motion and second. Any further  
12 discussion?

13              BILL HARRIS: I do have a question, more  
14 clarification, I guess.

15              BENNY WAMPLER: Sure.

16              BILL HARRIS: Where we have...and I realize a  
17 motion is on the floor, but let me go ahead and get this---.

18              BENNY WAMPLER: Sure, that's fine. It's open for  
19 discussion.

20              BILL HARRIS: The northern, I want to call them Ys  
21 or Vs, but the northern horizontal sections that you have,  
22 and the southern, I noticed...I guess the other wells are  
23 shown as the black dots, is wells that are in there. So we

24

--

1 can take that as areas that have produced, or are producing  
2 now. In the center, I realize there's nothing...I notice  
3 there's nothing there.

4 A. That's correct.

5 BILL HARRIS: What is that?

6 A. We have not drilled in the center here and  
7 to...such as the northern area.

8 BILL HARRIS: Uh-huh.

9 A. The northern well.

10 BILL HARRIS: Now, is that indicative of the  
11 presence or absence of gas reserves there?

12 A. We didn't do all that well with the vertical  
13 drilling and frac. We are presently...in the southern area,  
14 presently building pipeline to connect the existing wells we  
15 have down there. It is not as bad production as in the  
16 north, but it is still similar. We have tested some of those  
17 wells.

18 BILL HARRIS: Do you anticipate something in the  
19 center between those two?

20 A. It's according to what we...how well we do  
21 with these two. I will say that the coal thicknesses...we're  
22 in the better coal thicknesses on the north and the south,  
23 and that's the reason we haven't done anything in the middle.

24

--

1 The other thing, the Dry Fork Anticline runs through here.  
2 The Dry Fork Anticline is just north of the southern well.  
3 That's another influence, the things that we're doing.

4 BILL HARRIS: In the future when you...well, it's  
5 hard to say, I guess, to predict. Do you anticipate this  
6 horizontal drilling will be about the same length in terms of  
7 the arms, legs, or whatever you call it is you call those?

8 A. Yes, we hope so. Again, these two wells  
9 down here that you see right now are going to be our test  
10 wells down here, and we do hope to get 4,000 feet. It's yet  
11 to be seen. We are getting that up north.

12 BILL HARRIS: You are get...you say up north, what  
13 do you mean?

14 A. In West Virginia and Pennsylvania.

15 BILL HARRIS: Well, okay. Yeah. Thank you.  
16 That's all.

17 BENNY WAMPLER: Mr. Wilson.

18 BOB WILSON: Mr. Chairman, I know you have a motion  
19 on the floor, is it okay for me to make another comment here?

20 BENNY WAMPLER: Sure. It's open for discussion.

21 BOB WILSON: If the Board needs to address those  
22 existing wells relative to either spacing exceptions or any  
23 kind of consideration for units, there are several units here  
24



1 that are penetrated by the horizontal legs that have existing  
2 wells in them and whether that's of concern or not, I just  
3 want to bring it to the attention of the Board so that if  
4 there are things we need to consider when we approve these  
5 permits that's being handled or addressed today.

6 BENNY WAMPLER: Bob, let me...my comment would be  
7 that I would think location exceptions would need to come  
8 back to the Board as it's interfering, potentially  
9 interfering with other wells because you're getting  
10 correlative rights issues there and that's right on target  
11 with what we do.

12 MASON BRENT: I think my overall concern is that  
13 this was originally a provisional ruling---.

14 BENNY WAMPLER: Right.

15 MASON BRENT: ---for the purpose of keeping up with  
16 it and keeping an eye on it. To do anything carte blanc  
17 right now concerns me.

18 BENNY WAMPLER: Uh-huh. Of course, with this, in  
19 order to come back with the information, we didn't set a  
20 specific date to come back as far as how far we would  
21 continue it and that may be something we want to do is say  
22 six months from now, twelve months from now, whatever the  
23 Board is comfortable with, is set a specific time on it.

24

--

1 Allow the activity to occur in order to develop the  
2 information and bring it back. And I would ask you, what's a  
3 reasonable time in your estimation to drill some wells and  
4 come back with data to prove or disprove your request?

5           A.       I'm probably looking at a minimum of a year.  
6 At this point right now, we have been planning...we started  
7 out with this northern well about, I think it was in  
8 September, and we haven't got the first site constructed yet.  
9 We don't have the permit yet. So we're still down the road  
10 a little ways. We need to have some production data from the  
11 wells to know what we've got.

12           BILL HARRIS: Mr. Chairman, could I hear the motion  
13 again? What was...our motion was to---? You record that?

14           BENNY WAMPLER: The motion, as I understood it, was  
15 Mr. Ratliff made the motion that more or less incorporated  
16 what Mr. Wilson suggested, and that was to approve the  
17 application to enable the inspector in the future to be able  
18 to approve these without coming to the Board and then we  
19 would say is it okay to amend that motion to say that except  
20 where you would encounter any other wells in those units,  
21 which would be a location exception. Is that acceptable to  
22 you?

23           DONALD RATLIFF: Yes, sir.

24

--

1                   BENNY WAMPLER: Is that acceptable to you for the  
2 second?  
3                   JIM MCINTYRE: Yes.  
4                   BENNY WAMPLER: So we've got that amended. That is  
5 the motion then as amended. Does that make sense?  
6                   BILL HARRIS: Yes.  
7                   BENNY WAMPLER: Then the only thing we haven't done  
8 is...two things, you offered this today, this document, as an  
9 exhibit identifying the field rules that have been drawn to  
10 extend as the Board provisionally approved, is that correct?  
11                  A.       Yes, sir, we have.  
12                  BENNY WAMPLER: What exhibit, is this exhibit one?  
13                  MARK SWARTZ: Your pleasure, whatever.  
14                  BENNY WAMPLER: Exhibit one, so it's introduced and  
15 accepted as exhibit one. The other thing is with the motion,  
16 we discussed and haven't added to the motion whether or not  
17 we want to put a time frame on it, a twelve month extension.  
18 Let's say January 2006, they will come back before the Board  
19 and present their data. Is that acceptable?  
20                  BILL HARRIS: Yes.  
21                  BENNY WAMPLER: Is that acceptable as the second?  
22                  JIM MCINTYRE: Yes.  
23                  BENNY WAMPLER: That's a motion and a second.

24

--

1                   MARK SWARTZ: I think we need to be clear that, at  
2 least I think it's your intention, but with regard to the  
3 north well and the south well, that they're being approved on  
4 this trip and what you're---.

5                   BENNY WAMPLER: That is correct.

6                   MARK SWARTZ: What we're saying is consistent with  
7 Mr. Harris' comment. If we're in the center here and we  
8 don't have some well location exception issue, then he's got  
9 authority, but if we're back where we've got some well  
10 location issues within 500 feet of a leg, then you want to  
11 see us again. I mean, is that---?

12                   BENNY WAMPLER: We want to see you again.

13                   MARK SWARTZ: Okay.

14                   BENNY WAMPLER: That's what the motion is. It's  
15 not---.

16                   MARK SWARTZ: I just want to make sure with regard  
17 to these two we've made the trip.

18                   BENNY WAMPLER: That's the motion and second, as I  
19 understand it, and it's concurred with. Any further  
20 discussion?

21                   (No audible response.)

22                   BENNY WAMPLER: All in favor, signify by saying  
23 yes.

24

1 (All members answer yes.)

2 BENNY WAMPLER: Opposed, say no.

3 (No audible response.)

4 BENNY WAMPLER: You have approval.

5 A. What was the come back date?

6 BENNY WAMPLER: January 2006. The next item on the

7 agenda is a petition from CNX Gas Company LLC for repooling

8 of coalbed methane unit W-35. Docket Number VGOB-98-0324-

9 0627-01. We'd ask the parties that wish to address the Board

10 in this matter to come forward at this time.

11 MARK SWARTZ: Mark Swartz and Les Arrington. Mr.

12 Chairman, while we're getting organized, items four and five

13 on your docket, the one you just called and the next one, are

14 repoolings. They have the same problem, or issue, and

15 they're both Oakwood Two units. I think it might be helpful

16 to call the other one. We'll sort of do them together.

17 BENNY WAMPLER: I'll go ahead and do that. The

18 other item is a petition from CNX Gas Company LLC for a

19 repooling coalbed methane unit W-34. This is Docket Number

20 VGOB-97-0318-0571-02. We'd ask the parties that wish to

21 address the Board in these matters to come forward at this

22 time.

23 MARK SWARTZ: Again, Mark Swartz and Les Arrington.

24

1           BENNY WAMPLER: The record will show there are no  
2 others. You may proceed.

3                           LESLIE K. ARRINGTON

4                           DIRECT EXAMINATION

5 QUESTIONS BY MR. SWARTZ:

6           Q.       Les, you're still under oath.

7           A.       Yes.

8           Q.       Will you state your name again?

9           A.       Leslie K. Arrington.

10          Q.       Who do you work for?

11          A.       CNX Gas Company, LLC.

12          Q.       What do you do for them?

13          A.       I'm manager of environmental permitting.

14          Q.       Did you either yourself prepare the  
15 applications and exhibits with regard to these two units, or  
16 have them prepared under your supervision?

17          A.       Yes, I did.

18          Q.       Is the applicant...who is the applicant?

19          A.       CNX Gas Company.

20          Q.       And is CNX Gas Company, LLC a Virginia  
21 general partnership?

22          A.       Yes, it is.

23          Q.       Is it a wholly owned indirect subsidiary of  
24

--

1 Consol Energy, Inc.?

2 A. Yes, it is.

3 Q. Is CNX authorized to do business in the  
4 Commonwealth?

5 A. Yes, it is.

6 Q. And there's already a designated operator  
7 appointed in both of these units, correct?

8 A. Yes.

9 Q. Who is that?

10 A. It's CNX Gas.

11 Q. And does CNX have a blanket bond on file as  
12 required by law?

13 A. Yes, it does.

14 Q. And has it registered with the DMME?

15 A. Yes, they have.

16 Q. What did you do to advise people of the  
17 repooling with regard to these two units and the hearing?

18 A. Yes, we mailed by certified mail, return  
19 receipt requested on November the 12th, 2004. It was  
20 published in the Bluefield Daily Telegraph, the W-35, on  
21 December 3rd, and W-34 on December the 1st of 2004.

22 Q. And have you filed the proofs of publication  
23 that you got from the newspaper and the certificates with  
24

1 regard to mailing with Mr. Wilson's office?

2 A. Yes, we have.

3 Q. And there are a number of revised exhibits

4 with regard to both of these units?

5 A. Yes, there is.

6 Q. And those have been passed around today, and

7 I think the Board should have copies, correct?

8 A. Yes.

9 Q. And the revised exhibits, are those changes

10 tracked in the spreadsheet that you passed out today?

11 A. Yes, they are.

12 Q. So if you got the spreadsheet, that

13 captures the revised numbers?

14 A. Yes, it does.

15 Q. What is the reason...why it is necessary

16 that we pool these two units?

17 A. We were advised that there was an additional

18 property tract out there after doing our title check and

19 mapping. There is an additional tract, which we have...

20 that's the reason we're here today.

21 Q. And which tract is it that was the

22 additional tract that was discovered in terms of the tract

23 ID? Let's start with 35, W-35?

24

--



1                   A.       W-35 would be at 1-G.

2                   Q.       So, what's in 1-G was missing when this was  
3 originally pooled?

4                   A.       Yes.

5                   Q.       And with regard to W-34, which one?

6                   A.       4-F.

7                   Q.       Okay. And so, obviously, we've got some new  
8 people who weren't in those tracts that we're pooling,  
9 correct?

10                  A.       Yes.

11                  Q.       And obviously, that's going to affect  
12 percentages, so you gave notice to everybody?

13                  A.       We did.

14                  Q.       Okay. What success have you had leasing  
15 these two tracts, or people in these two tracts?

16                  A.       In the tracts themselves, I don't have that  
17 specific number. I do have the titles on the spreadsheet for  
18 the unit.

19                  Q.       Okay. But a number of the people that are  
20 in these additional tracts, can you tell the Board whether or  
21 not you've actually been able to lease those folks?

22                  A.       Yes, we did. We were rather successful.

23                  Q.       Okay. And to the extent you have not been  
24

1 able to, that's the requirement for the repooling?

2 A. That's correct.

3 Q. Okay. These are both Oakwood units?

4 A. Yes, it is.

5 Q. And they were pooled as, if I'm not

6 mistaken, as...as Oakwood Two units?

7 A. Yes, sir, they were.

8 Q. And so they're actually...the production is

9 from multiple longwall panels?

10 A. Yes, on the north of the unit...on the north

11 side of the unit and on the south side of the unit.

12 Q. And what mine are we talking about?

13 A. The Buchanan No. 1 mine.

14 Q. And if the Board looks in either of the

15 applications, they will see an Exhibit B-3, that there is a

16 percent of unit for each of the people that we would normally

17 see in a frac well setting, but then there is also a division

18 of interest in each of the longwall panels that are affecting

19 the particular unit, correct?

20 A. That's correct, it is.

21 Q. And there's a division of interest, or a

22 percentage, in regard to each panel?

23 A. That's correct.

24

1                   Q.       The...then in addition, the costs here are  
2 not on a per well basis, but rather on a allocated longwall  
3 panel basis and there would be an Exhibit G, page one, which  
4 is in the revised exhibits sort of toward the end. And for  
5 example, with regard to W-35, you've allocated costs with  
6 regard to the 13 East, 14 East and 15 East panels?

7                   A.       Yes. That's on the south side of the unit.

8                   Q.       Okay.

9                   A.       And then there should be an Exhibit G for  
10 the north side.

11                  Q.       Right, and then the next...the second page  
12 of Exhibit G shows the additional longwall panels, correct?

13                  A.       It does.

14                  Q.       And have you used the same cost allocation  
15 figures that you used when these units were originally  
16 pooled?

17                  A.       Yes, I did, especially for the south side.

18                  Q.       And that enables people to be on equal  
19 footing in terms of their election option, correct?

20                  A.       Yes.

21                  Q.       And is that true with regard to both W-35  
22 and W-34?

23                  A.       Yes.

24

1           Q.       The...just staying with...or starting with  
2 W-35, if we look at the revised exhibits, in particular  
3 Exhibit B-2, are there some folks that you are seeking to  
4 have dismissed at this point?

5           A.       Yes, we are.

6           Q.       Okay. And those people are listed in  
7 Exhibit B-2?

8           A.       Yes.

9           Q.       And why is it that you don't require a  
10 pooling order with regard to them?

11          A.       Those interests have been leased since we  
12 filed the application.

13          Q.       Okay. So although those people were listed  
14 in the notice of hearing and in...or were mailed, you have  
15 been able to lease from them?

16          A.       Yes.

17          Q.       Okay. So with regard to W-35, are you  
18 requesting that the Board dismiss as respondents the folks  
19 you've identified by name in Exhibit B-2?

20          A.       Yes, we are.

21          Q.       With regard to the interest that you've been  
22 able to acquire in unit W-35, would you tell the Board what  
23 you've been able to acquire and what it is that's still  
24

1 outstanding that needs to be pooled?

2           A.       Yes. We've leased 100% of the coal owners'  
3 claim to the CBM, and we've leased, in W-35, 27.32887% of the  
4 oil and gas owners' claim to coalbed methane; seeking to pool  
5 72.67113% of the oil and gas owners' claim to coalbed  
6 methane.

7           Q.       Okay. And the cost that you're seeking to  
8 allocate here?

9           A.       \$158,191.16.

10          Q.       And there are how many wells, permitted  
11 wells, within this unit, W-35?

12          A.       Within the unit?

13          Q.       Within the unit?

14          A.       Three.

15          Q.       Okay. And their permit numbers are?

16          A.       3344, 3380, and 5684.

17          Q.       And obviously, there are other wells in the  
18 panels, but that's...those are the wells within this  
19 particular unit?

20          A.       That's correct.

21          Q.       Okay. The...have you listed in Exhibit B-3  
22 all of the folks with the exception of the people that we're  
23 dismissing in B-2?

24

--

1           A.       Yes, we have.

2           Q.       All of the folks that you're seeking to  
3 pool?

4           A.       Yes, we have.

5           Q.       And for each of those people, have you  
6 listed their percent of unit?

7           A.       Yes, we have.

8           Q.       And the percent of unit would be the number  
9 that they will use in terms of what their contribution of  
10 cost would be if they wanted to participate?

11          A.       That's correct.

12          Q.       And it would be the same number in terms of  
13 carried interest?

14          A.       Yes.

15          Q.       With regard to royalty interest, however,  
16 the production from each of the longwall panels is allocated,  
17 and there are actually five here---?

18          A.       Yes.

19          Q.       ---as you pointed out? And their division  
20 of interest in each of those longwall panels where the  
21 production is accumulated are as stated opposite their name?

22          A.       Yes.

23          Q.       With regard to W-35 again, is there an  
24

1 escrow requirement?

2           A.       Yes, there are, for conflicting claims and  
3 unknowns.

4           Q.       Okay. The conflicting claims escrow  
5 requirement applies to what tracts?

6           A.       1-A, 1-B, 1-E, 1-G, and 1-H, and there is an  
7 unknown in 1-G.

8           Q.       Okay.

9           BENNY WAMPLER: Folks, I'm going to ask you if you  
10 have cell phones and other devices like that, please cut them  
11 off. It interferes with our recording. Thank you.

12          Q.       In terms of your leasing program, what have  
13 been the terms that you have been offering for the coalbed  
14 methane lease rights?

15          A.       Our standard coalbed methane lease is a  
16 dollar per acre per year, five year paid up term with a one-  
17 eighth production royalty.

18          Q.       And would you recommend to the Board that  
19 those terms be included in any order with regard to folks who  
20 might be deemed to have been leased?

21          A.       Yes, we would.

22          Q.       And this unit, W-35, is an 80 acre Oakwood  
23 Two unit, correct?

24

--

1                   A.       It is.

2                   Q.       Okay. Turning to W-34, this is also an  
3 Oakwood unit?

4                   A.       Yes.

5                   Q.       And it has 80 acres in it?

6                   A.       Yes, it does.

7                   Q.       Okay. Summarize for the Board the interest  
8 you've been able too acquire and what it is you need to pool?

9                   A.       We've leased 99.9875% of the coal owners'  
10 claim to coalbed methane, and 85.36181% of the oil and gas  
11 owners' claim to coalbed methane. We're seeking coal owners'  
12 to pool 0.0125% of the coal owners' claim to coalbed methane,  
13 and 14.63819% of the oil and gas owners' claim to coalbed  
14 methane.

15                  Q.       And this, again, is an allocation of panel  
16 costs, is it not?

17                  A.       That's correct, it is.

18                  Q.       And what other panel cost did you allocate  
19 to this unit?

20                  A.       \$190,287.59

21                  Q.       And again, if we look at Exhibit B-3, there  
22 is a percentage, or a percent of unit column for each of the  
23 owners or claimants?

24

--



1                   A.       Correct.

2                   Q.       And then there are four longwall panels, and  
3 there's a specific division of interest stated for each of  
4 those panels for each person?

5                   A.       Yes, it is.

6                   Q.       Okay. It looks like you've been able to  
7 lease some people since you noticed the hearing for W-35, is  
8 that correct?

9                   A.       W-34.

10                  Q.       I'm sorry, W-34.

11                  A.       Yes.

12                  Q.       And have you filed a revised...or in your  
13 revised exhibits packet, an Exhibit B-2?

14                  A.       Yes.

15                  Q.       And again, have you listed the folks that  
16 you've been able to lease since filing?

17                  A.       Yes, we have.

18                  Q.       And are you asking that the Board dismiss  
19 those people as respondents because they've been leased?

20                  A.       Yes.

21                  Q.       With those exceptions, have you listed at  
22 Exhibit B-3 all of the folks that you're seeking to pool?

23                  A.       Yes, we have.

24

1                   Q.       And is there an escrow requirement with  
2 regard to W-34?  
3                   A.       Yes, for conflicting claims and an unknown.  
4                   Q.       The conflicting claims would apply to what  
5 tracts?  
6                   A.       4-A, 4-B, 4-C, 4-D, 4-E, 4-F, and 4-G, with  
7 an unknown in 4-F.  
8                   Q.       And you filed an Exhibit E with regard to  
9 escrow?  
10                  A.       Yes, we have.  
11                  Q.       And in both of these units, in W-35 and W-  
12 34, are there some folks that have entered into royalty split  
13 agreements?  
14                  A.       Yes, it is.  
15                  Q.       And have you filed an Exhibit EE with regard  
16 to both of these?  
17                  A.       Yes, we have.  
18                  Q.       And in Tract...or in Unit W-35, what are the  
19 royalty split agreement tracts?  
20                  A.       W-35 is 1-C, 1-D, 1-F, and 1-G.  
21                  Q.       And in W-34?  
22                  A.       4-F.  
23                  Q.       And are you requesting any order that the  
24

1 Board might enter with regard to the royalty split agreement  
2 tracts, provide that the owners and claimants who have  
3 entered into royalty split agreements be paid in accordance  
4 with their agreements directly by the operator without  
5 requirement that those funds be escrowed?

6 A. Yes, we are.

7 Q. And again, with regard to W-34, have you  
8 filed a revised Exhibit G?

9 A. Yes, we have.

10 Q. And does that break out and allocate the  
11 longwall costs to W-34 and other units?

12 A. Yes, it does.

13 Q. And with regard to W-34, I think you've  
14 already indicated, but the second page of the Exhibit shows  
15 the total, does it not?

16 A. Yes.

17 Q. And it's the 1928759?

18 A. Yes, it is.

19 Q. With regard to these two applications  
20 concerning repooling W-35 and W-34, is it your opinion that  
21 this repooling coupled with your leasing efforts is a  
22 reasonable plan to develop...to continue to develop the  
23 coalbed methane resource under these two units?

24

--

1           A.       Yes, it is.

2           Q.       And if you take the leasing, the previous  
3 pooling order and the pooling order you're requesting, the  
4 repooling you're requesting, will that, given the additional  
5 tract that's been discovered, serve to protect the  
6 correlative rights of all of the owners and claimants within  
7 these two units?

8           A.       Yes, it will.

9           MARK SWARTZ: That's all I have, Mr. Chairman.

10          BENNY WAMPLER: Questions from members of the  
11 Board?

12                (No audible response.)

13          BENNY WAMPLER: You at one point referred to  
14 Oakwood Two and on the chart you have Oakwood One and in the  
15 application you have Oakwood One, would you clarify?

16          A.       It should be Oakwood Two. I seen that right  
17 at the last.

18          SHARON PIGEON: For both?

19          A.       For both, yes.

20          MARK SWARTZ: For both.

21          BENNY WAMPLER: Other questions from members of the  
22 Board?

23          BOB WILSON: Mr. Chairman.

24

--

1           BENNY WAMPLER: Mr. Wilson.

2           BOB WILSON: Just...this probably...in your

3 original Exhibit E, page two, you showed you had leased---.

4 I'm sorry, in the W-35, showed you had 97.3109% leased, and

5 in the revised only showed 27.32887. Is that just a typo?

6           A. I would---.

7           BOB WILSON: I lost how we got from 97% down to 27%

8 here.

9           A. Just a minute, let me just make sure that we

10 did, and I think we did. Yeah, we did have an error there.

11           BENNY WAMPLER: Anything further?

12           (No audible response.)

13           BENNY WAMPLER: Do you have anything further, Mr.

14 Swartz?

15           MARK SWARTZ: No, I don't.

16           BENNY WAMPLER: Is there a motion?

17           DONALD RATLIFF: So move, Mr. Chairman.

18           JIM MCINTYRE: Second.

19           BENNY WAMPLER: Motion and second to approve. Any

20 further discussion.

21           (No audible response.)

22           BENNY WAMPLER: All in favor, signify by saying

23 yes.

24

--

1 (All members say yes.)

2 BENNY WAMPLER: Opposed, say no.

3 (No audible response.)

4 BENNY WAMPLER: You have approval. The next item

5 on the agenda is a petition from CNX Gas Company, LLC for

6 pooling of coalbed methane unit AV-127, Maiden Springs and

7 New Garden Districts of Tazewell and Russell County, Docket

8 Number VGOB-04-1214-1365. We'd ask the parties that wish to

9 address the Board in this matter to come forward at this

10 time.

11 MARK SWARTZ: Mark Swartz and Les Arrington.

12 BENNY WAMPLER: The record will show there are no

13 others. You may proceed.

14 MARK SWARTZ: Mr. Chairman, I'd like to incorporate

15 Mr. Arrington's testimony with regard to the applicant and

16 the designated operator, their ability...you know, their

17 identity as Virginia limited...general partnership and so

18 forth, and also the lease terms testimony into this hearing.

19 BENNY WAMPLER: That will be incorporated.

20

21 LESLIE K. ARRINGTON

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. SWARTZ:

24

--

1 Q. Mr. Arrington, will you state your name  
2 again?  
3 A. Leslie Arrington.  
4 Q. I'll remind you, you're still under oath?  
5 A. Yes.  
6 Q. This application with regard to AV-127  
7 concerns a Middle Ridge unit?  
8 A. Yes, it does.  
9 Q. How many acres in this unit?  
10 A. 48.63.  
11 Q. Okay. And it's less than what we normally  
12 see?  
13 A. Yes, it's one of the make up units in  
14 between the Oakwood and the Middle Ridge field.  
15 Q. Okay. And this is in two counties?  
16 A. Yes, Russell and Tazewell.  
17 Q. And there...what is your cost estimate with  
18 regard to this well?  
19 A. It's \$231,175.34, to a depth of 2363.46.  
20 This permit number was 6106.  
21 Q. And this well is located in the drilling  
22 window?  
23 A. Yes, it is.  
24

1           Q.       Would you tell the Board what interest  
2 you've been able to obtain, either by purchase or lease, and  
3 what it is you're seeking to pool?

4           A.       We've leased 100% of the coal owners' claim  
5 to coalbed methane, and leased 70.512% of the oil and gas  
6 owners' claim, seeking to pool 29.488% of the oil and gas  
7 owners' claim to coalbed methane.

8           Q.       In this unit, have you filed an Exhibit E?

9           A.       Yes, we have.

10          Q.       And is that because there are conflicts?

11          A.       Yes.

12          Q.       And in what tracts?

13          A.       1-B, 1-C, 1-D, 1-E, 2-A, 2-B and 2-C.

14          Q.       In this instance, at least as far as you  
15 know, as of this date there are no royalty split agreements?

16          A.       On 127, there's...yes.

17          Q.       Oh, there is?

18          A.       Uh-huh.

19          Q.       Okay. In what tract?

20          A.       1-A.

21          Q.       And are you requesting with regard to that  
22 Tract 1-A and the royalty split agreements, that the folks  
23 have entered into those agreements be paid in accordance with  
24



1 their 50/50 split agreement and that you be allowed to pay  
2 them rather than escrowing their funds?

3 A. Yes, we do.

4 Q. With regard to the plan of development as  
5 disclosed by the application and the exhibits concerning  
6 Middle Ridge Unit AV-127, is it your opinion that those  
7 disclose a reasonable plan to develop the coalbed methane  
8 within this unit by one frac well in the drilling window?

9 A. Yes.

10 Q. And is it your opinion...also your opinion  
11 that based on the leasing program that you've undertaken and  
12 the...combined with any pooling order that might be entered  
13 here, that the correlative rights of all of the owners and  
14 claimants would be protected?

15 A. Yes, they are.

16 MARK SWARTZ: That's all I have, Mr. Chairman.

17 BENNY WAMPLER: Questions from members of the  
18 Board?

19 (No audible response.)

20 BILL HARRIS: Mr. Chairman, one quick question.

21 BENNY WAMPLER: Mr. Harris.

22 BILL HARRIS: The county lines in your Exhibit A,  
23 where is that shown, Exhibit A in that one? I just wondered

24

--

1 where the county...I know you said it was straddling two  
2 counties. Does it separate the one tract in two?  
3 A. Are you...right there at the heavy road.  
4 Do you see the road going through...if you're looking  
5 at...back up to the next exhibit. Do you see where the cross  
6 hatch is?  
7 BILL HARRIS: Yes.  
8 A. The road, and the roadway going through  
9 there, it's in the road, I believe.  
10 SHARON PIGEON: The big road?  
11 BILL HARRIS: I see that road there, but---.  
12 MARK SWARTZ: And that's the county line right  
13 there.  
14 BILL HARRIS: ---when I turn here I don't see the  
15 road. See, I don't see the road when I---.  
16 SHARON PIGEON: Yeah.  
17 BILL HARRIS: I'm just curious where the---.  
18 MARK SWARTZ: Is this the line?  
19 A. Yes. What the problem is---. Here's what  
20 the problem is.  
21 MARK SWARTZ: Here's the problem, Mr. Harris.  
22 They've shaded the wrong unit. It's not here, it's over  
23 here, AV-127. Then if you look at...if you come up  
24

1 here....no wonder you're confused. If you come up here,  
2 you'll see the Tazewell County on this side of the line, and  
3 then Russell County on the other side. You'll see that just  
4 cuts through what, I guess, would be the west...very west  
5 portion of the correct unit.

6 BILL HARRIS: Okay. So---.

7 MARK SWARTZ: So, AV-127, which is the unit we're  
8 talking about, if you intersect them, you'll see where we  
9 are.

10 BILL HARRIS: In other words, Middle Ridge is right  
11 across the top of that?

12 A. Yes, it is.

13 MARK SWARTZ: Correct. And as that line comes down  
14 just through the western edge of that, it just catches a  
15 little bit of Russell County, as I read it. Is that correct?

16 A. That is correct.

17 BILL HARRIS: Middle Creek then on the next one,  
18 there's a...looks like a double dotted, an extra dot?

19 A. On the plat, you're speaking?

20 BILL HARRIS: On the plat itself now.

21 A. It's coming down through there.

22 BILL HARRIS: Okay.

23 MARK SWARTZ: Then you can see down at the bottom,  
24  
25

1 also, it picks up the county line again. You can see how it  
2 kind of flows. If you look at the very bottom of the map, in  
3 VA-127?

4 BILL HARRIS: Yes, uh-huh.

5 BENNY WAMPLER: You will provide a corrected  
6 Exhibit---?

7 A. Uh-huh.

8 BENNY WAMPLER: ---A-1? Is that a yes.

9 A. Yes. I'm sorry.

10 BENNY WAMPLER: Any other questions from members of  
11 the Board?

12 (No audible response.)

13 BENNY WAMPLER: Is there a motion?

14 DONALD RATLIFF: Motion to approve.

15 BILL HARRIS: Second.

16 BENNY WAMPLER: Motion and second. Any further  
17 discussion?

18 (No audible response.)

19 BENNY WAMPLER: All in favor, signify by saying  
20 yes.

21 (All members say yes.)

22 BENNY WAMPLER: Opposed, say no.

23 (No audible response.)

24

--

1           BENNY WAMPLER: You have approval. The next item  
2 on the agenda is a petition from CNX Gas Company, LLC for  
3 pooling of coalbed methane unit BD-122, New Garden District,  
4 Russell County, Docket Number VGOB-04-1214-1366. We'd ask  
5 the parties that wish to address the Board in this matter to  
6 come forward at this time.

7           MARK SWARTZ: Mark Swartz and Les Arrington.

8           BENNY WAMPLER: The record will show there are no  
9 others. You may proceed.

10          MARK SWARTZ: I'd like to incorporate the  
11 testimony with regard to the applicant and with regard to  
12 lease terms, if I could.

13          BENNY WAMPLER: That will be incorporated.

14                           LESLIE K. ARRINGTON

15                           DIRECT EXAMINATION

16 QUESTIONS BY MR. SWARTZ:

17           Q.       Les, can you state your name again?

18           A.       Leslie K. Arrington.

19           Q.       You're still under oath?

20           A.       Yes.

21           Q.       With regard to Unit BD-122, there are a  
22 number of revised exhibits, correct?

23           A.       It is.

24

--

1 Q. And those have just been passed out to the  
2 Board members?

3 A. Yes, they have.

4 Q. And the spreadsheet that you have provided  
5 them with as sort of a cross check today, does that reflect  
6 with regard to BD-122 the revised exhibits?

7 A. Yes, it does.

8 Q. Now this is a Middle Ridge Unit?

9 A. Yes, it is.

10 Q. And it's a standard size?

11 A. It is, 58.74 acres.

12 Q. Okay. And we're proposing one frac well  
13 here?

14 A. Yes, we are.

15 Q. And this frac well in this particular unit  
16 is in the drilling window?

17 A. Yes.

18 Q. Okay. What is your cost estimate with  
19 regard to this well?

20 A. \$246,478.52, to a depth of 2,666.62. Permit  
21 number was 6204.

22 Q. And this well has been drilled?

23 A. Yes, it has.

24

1                   Q.       You have filed, I believe, an exhibit...I'm  
2   sorry, an Exhibit B-2, is that correct?

3                   A.       Yes, we have.

4                   Q.       And that would list some folks that you're  
5   proposing to---.  Actually it's one person you're proposing  
6   to dismiss?

7                   A.       Yes, it is, due to a lease.

8                   Q.       And that's Mr. Chafins in Tract 1-D,  
9   correct?

10                  A.       Correct.

11                  Q.       And other than that, have you listed  
12   everyone you're seeking to pool in Exhibit B-3?

13                  A.       Yes, we have.

14                  Q.       And have you provided the Board with a  
15   revised Exhibit A, page two?

16                  A.       Yes, we have.  I'm sorry.

17                  Q.       And what is it that you...what are the  
18   interests you've been able to acquire in this unit and what  
19   is it you're seeking to pool?

20                  A.       We've leased 100% of the coal owners' claim  
21   to the coalbed methane.  We're seeking....and 86.9254% of the  
22   oil and gas owners' claim to coalbed methane.  We're seeking  
23   to pool 13.0746% of the oil and gas owners' claim to coalbed  
24

1 methane.

2 Q. And we've got a revised Exhibit E, correct?

3 A. Yes.

4 Q. And a revised Exhibit EE?

5 A. Yes.

6 Q. With regard to escrow requirements because  
7 of conflicts, what tracts would require escrow?

8 A. 1-A, B, C, D, E, H, I, J, K, L, M, N, O, P,  
9 Q, R, S, T, U, V, 2-A, and 2-B; and there is actually a title  
10 conflict in 1-K, 1-S and 1-T; an unknown in 1-Q.

11 Q. And are there some royalty split agreements  
12 here?

13 A. Yes, in 1-A, 1-Q, 1-V, and 2-A.

14 Q. And are you requesting that the Board order  
15 allow you to pay the folks who have split agreements directly  
16 rather than escrowing their funds?

17 A. Yes.

18 Q. And when you said there was a title issue in  
19 1-K, 1-S, and 1-T, you're talking about something in addition  
20 to a conflict, it's an either/or title issue?

21 A. That's correct.

22 Q. And that's reflected in your Exhibit E, as  
23 well as your Exhibit B-3?

24

--



1                   A.       Yes.

2                   Q.       So it's just an additional reason to escrow  
3 with regard to those three tracts?

4                   A.       Yes, it is.

5                   Q.       Is it your opinion that the drilling of one  
6 frac well in this...in this unit is a reasonable plan to  
7 develop the coalbed methane resources within and under the  
8 unit?

9                   A.       Yes, it is.

10                  Q.       And if we take your leasing efforts together  
11 with the pooling order here, is it your opinion that all of  
12 the claimants and owners of the coalbed methane in this  
13 particular unit, that their correlative rights would be  
14 protected?

15                  A.       Yes, it would.

16                  MARK SWARTZ: That's all I have, Mr. Chairman.

17                  BENNY WAMPLER: Questions from members of the  
18 Board?

19                  (No audible response.)

20                  BENNY WAMPLER: Is there a motion?

21                  JIM MCINTYRE: So move.

22                  BENNY WAMPLER: Motion to approve. Is there a  
23 second?

24

1           DONALD RATLIFF:   Second.

2           BENNY WAMPLER:   Any further discussion?

3           (No audible response.)

4           BENNY WAMPLER:   All in favor, signify by saying

5   yes.

6           (All members say yes.)

7           BENNY WAMPLER:   Opposed, say no.

8           (No audible response.)

9           BENNY WAMPLER:   You have approval.   The next item

10   on the agenda is a petition from CNX Gas Company, LLC for

11   pooling of coalbed methane unit BF-100.   Docket Number VGOB-

12   04-1214-1368.   We'd ask the parties that wish to address the

13   Board in this matter to come forward at this time.

14           MARK SWARTZ:   Mark Swartz and Les Arrington.

15           BENNY WAMPLER:   The record will show there are no

16   others.   You may proceed.

17           MARK SWARTZ:   I'd like to incorporate Mr.

18   Arrington's testimony about the applicant and also with

19   regard to lease terms.

20           BENNY WAMPLER:   That will be incorporated.

21                           LESLIE K. ARRINGTON

22                           DIRECT EXAMINATION

23   QUESTIONS BY MR. SWARTZ:

24

--

1 Q. Les, is this a Nora unit?

2 A. Yes, it is.

3 Q. How many acres?

4 A. 58.78.

5 Q. And there's one well here, but it's outside

6 the drilling window, correct?

7 A. That's correct.

8 Q. Is this well already permitted?

9 A. No.

10 Q. What's the cost estimate for this well?

11 A. \$239,556.01, to a depth of 2,462 feet.

12 Q. Have you...there are no revised exhibits

13 with regard to this unit?

14 A. No.

15 Q. Have you filed an Exhibit A, page two here

16 which explains what you've been able to acquire and what it

17 is you're seeking to pool?

18 A. Yes, we have.

19 Q. And what is that?

20 A. 97.1589% of the coal owners' claim to

21 coalbed methane, and 36.4271% of the oil and gas owners'

22 claim to coalbed methane. We're seeking to pool 2.8411% of

23 the coal owners' claim to coalbed methane, and 63.5729% of

24

1 the oil and gas owners' claim to coalbed methane.

2 Q. And did you both publish and mail with  
3 regard to this application?

4 A. Yes, we mailed on November 12th, 2004, and  
5 published in the Bluefield Daily Telegraph on November 24th,  
6 2004.

7 Q. Is there an Exhibit E filed here?

8 A. Yes, there is.

9 Q. And with regard to conflicts, what are the  
10 tracts that require escrow because of conflicts?

11 A. The tracts due to conflicts are 1-B, 1-D, 1-  
12 E, 1-F, 1-G, 1-H, 1-I, 1-J, 1-K, 1-L, 1-M, 1-N, 1-O, 1-P, and  
13 Tract 2. And there's also a title conflict in 1-F, 1-G, 1-H,  
14 1-K, 1-L, 1-M, 1-N, 1-O, 1-P, and 2; and also need escrow for  
15 unknowns for 1-F, 1-G, 1-H, and Tract 2.

16 Q. And we've got some folks with royalty split  
17 agreements in what tracts?

18 A. 1-A, 1-B, and 1-C.

19 Q. And are you requesting that any Board order  
20 allow you to pay those people that have split agreements  
21 directly?

22 A. Yes, we are.

23 Q. Is it your opinion that one frac well in  
24

1 this unit is a reasonable plan to develop the coalbed methane  
2 within the unit?

3 A. Yes, it is.

4 Q. Is it your opinion that if you take your  
5 leasing activities and acquisition activities and combine  
6 them with the pooling order, that the correlative rights of  
7 all the owners and claimants in this unit would be protected?

8 A. Yes, they would.

9 Q. The...if we look at the plat here and the  
10 location of the well, do you know, as we sit here today, why  
11 the propose...the well is proposed to be where it is?

12 A. Yes, sir. That's topography, and we're up  
13 on the ridge line. We have a lot of wells coming in from the  
14 north side and this is the very end of a ridge that we're  
15 coming down, and it's as far down the ridge as we could get  
16 with our well site, pipeline, power line. As you can see,  
17 there's quite a few houses in the valleys and part of this is  
18 kind of steep in that area, so that's the reason the well is  
19 up there in that very---.

20 Q. Up on top of that ridge?

21 A. Yes.

22 Q. And obviously, when you're permitting this,  
23 you wouldn't be dealing with a location issue?

24

--

1           A.       We did. We dealt with that.

2           Q.       Okay. With regard to---.

3           MARK SWARTZ: I think that's it, Mr. Chairman.

4           BENNY WAMPLER: Questions from members of the

5 Board?

6           (No audible response.)

7           BENNY WAMPLER: Is there a motion?

8           DONALD RATLIFF: Move to approve, Mr. Chairman.

9           JIM MCINTYRE: Second.

10          BENNY WAMPLER: Motion to approve and a second.

11 Any further discussion?

12          (No audible response.)

13          BENNY WAMPLER: All in favor, signify by saying

14 yes.

15          (All members say yes.)

16          BENNY WAMPLER: Opposed, say no.

17          (No audible response.)

18          BENNY WAMPLER: You have approval. Next on the

19 agenda is a petition from CNX Gas Company, LLC for pooling of

20 coalbed methane unit BG-117, New Garden District, Russell

21 County. Docket Number VGOB-04-1214-1369. We'd ask the

22 parties that wish to address the Board in this matter to come

23 forward at this time.

24

1           MARK SWARTZ: Mark Swartz and Les Arrington.

2           BENNY WAMPLER: The record will show there are no

3 others. You may proceed.

4           MARK SWARTZ: I'd like to incorporate Mr.

5 Arrington's testimony with regard to the applicant and with

6 regard to the lease terms as well.

7           BENNY WAMPLER: That will be incorporated.

8                           LESLIE K. ARRINGTON

9                           DIRECT EXAMINATION

10 QUESTIONS BY MR. SWARTZ:

11           Q.       Les, you need to state your name.

12           A.       Leslie K. Arrington.

13           Q.       You're still under oath, right?

14           A.       Yes.

15           Q.       This is a Middle Ridge Unit?

16           A.       Yes.

17           Q.       It's standard size?

18           A.       Yes, 58.74.

19           Q.       And this one we've got the well in the

20 drilling window?

21           A.       Yes, we do.

22           Q.       What's your cost estimate?

23           A.       \$243,482.32, to a depth of 2,606 feet. The

24

1 permit number is 6200.

2 Q. What did you do to notify the couple of  
3 respondents here of the hearing?

4 A. We mailed certified mail on November 12th,  
5 2004, published in the Bluefield Daily Telegraph November 26,  
6 2004.

7 Q. Did you file your certificate of publication  
8 from the newspaper and your certificates with regard to  
9 mailing with Mr. Wilson?

10 A. Yes, we have.

11 Q. What interests have you acquired and what  
12 are you seeking to pool?

13 A. Both the coal, oil and gas interests, we  
14 have leased 95.2673% of the coal, oil and gas coalbed methane  
15 interest; seeking to pool 4.7327% of the coal, oil and gas  
16 coalbed methane interest.

17 Q. Is there a requirement for escrow here?

18 A. Yes, Tract 2 and 4.

19 Q. And that's a conflicts issue?

20 A. Yes.

21 Q. Let me direct your attention to Exhibit E. I  
22 think we've also got a title issue in 2, do we not?

23 A. Yes, we do.

24

--



1                   Q.       Okay. So that would be an additional reason  
2 for escrow with regard to Tract 2, correct?

3                   A.       Tract 2.

4                   Q.       Are there any royalty split agreements  
5 pertaining to this unit?

6                   A.       No.

7                   Q.       Is it your opinion that the drilling of one  
8 well in the drilling window here is an appropriate plan to  
9 develop the coalbed methane resource within Unit BG-117?

10                  A.       Yes, it is.

11                  Q.       And is it your opinion that if you take  
12 your leasing activities and acquisition activities and  
13 combine them with the pooling order that you're seeking here,  
14 that it would serve to protect the correlative rights of all  
15 the owners and claimants?

16                  A.       Yes, it would.

17                  MARK SWARTZ: That's all I have.

18                  BENNY WAMPLER: I just ask for a clarification on  
19 your Exhibit E. Did you...you ended by saying Tract 2. Did  
20 you also indicate Tract 4, for a con...requiring escrow?

21                  MARK SWARTZ: Yes, he did. It was this...it was  
22 the title issue that pertained only to 2.

23                  BENNY WAMPLER: Okay. Thank you. Questions from  
24

1 members of the Board?

2 (No audible response.)

3 BENNY WAMPLER: Is there a motion?

4 JIM McINTYRE: Move to approve.

5 BILL HARRIS: Second.

6 BENNY WAMPLER: Motion to approve and a second.

7 Any further discussion?

8 (No audible response.)

9 BENNY WAMPLER: All in favor, signify by saying

10 yes.

11 (All members say yes.)

12 BENNY WAMPLER: Opposed, say no.

13 (No audible response.)

14 BENNY WAMPLER: You have approval. The next item

15 on the agenda, and I'll give the Board a break after this

16 one, is a petition from CNX Gas Company, LLC for pooling of

17 coalbed methane unit BJ-115, in the New Garden District,

18 Russell County. Docket Number VGOB-04-1214-1371. We would

19 ask the parties that wish to address the Board in this matter

20 to come forward at this time.

21 MARK SWARTZ: Mark Swartz and Les Arrington again.

22 BENNY WAMPLER: The record will show there are no

23 others. You may proceed.

24

1 LESLIE K. ARRINGTON

2 DIRECT EXAMINATION

3 QUESTIONS BY MR. SWARTZ:

4 Q. Les, you need to state your name.

5 A. Leslie K. Arrington.

6 Q. I'll remind you, you're under oath.

7 A. Yes.

8 Q. This again is a Middle Ridge Unit?

9 A. Yes.

10 Q. Standard size?

11 A. 58.74.

12 Q. And we've got one well proposed in the  
13 drilling window?

14 A. Yes.

15 Q. Have you listed the respondent on the notice  
16 and in the Exhibit B-3?

17 A. Yes, we have.

18 Q. And what did you do to notify him?

19 A. We mailed certified mail, return receipt  
20 November 12, 2004, published in Bluefield Daily Telegraph  
21 November 29, 2004.

22 Q. And have you filed proof of publication and  
23 certificates with regard to mailing with Mr. Wilson's office?

24

--

1           A.       Yes, we have.

2           Q.       You've got one well proposed here which is a  
3 frac well, correct?

4           A.       Yes.

5           Q.       What's your cost estimate?

6           A.       \$227,330.43, to a depth of 2,676.45 feet.  
7 Permit number is 6315.

8           Q.       There are no amended exhibits here, right?

9           A.       That's correct.

10          Q.       If we look at the original Exhibit A, page  
11 two, what have you been able to acquire and what do you need  
12 to pool?

13          A.       We have leased 100% of the coal owner's  
14 claim, and we have leased 87.3501% of the oil and gas owners'  
15 claim to coalbed methane; seeking to pool 12.649% of the oil  
16 and gas owners' claim to coalbed methane.

17          Q.       You filed an Exhibit E, did you not?

18          A.       Yes, we did, for Tract 3.

19          Q.       Okay. And that's just a straight conflict  
20 issue?

21          A.       It is.

22          Q.       No split agreements here?

23          A.       No.

24

1           Q.       Is it your opinion that the proposed plan of  
2 development, which is to drill one frac well within the  
3 drilling window is a reasonable plan to develop the CBM in  
4 this unit?

5           A.       Yes, it is.

6           Q.       And is it also your opinion that if you  
7 couple your leasing efforts with a pooling order affecting  
8 Mr. Ray, that that would then serve to protect the  
9 correlative rights of all the owners and claimants?

10          A.       Yes, it will.

11          MARK SWARTZ: That's all I have.

12          BENNY WAMPLER: Questions from members of the  
13 Board?

14                (No audible response.)

15          BENNY WAMPLER: Is there a motion?

16          DONALD RATLIFF: Move to approve.

17          JIM MCINTYRE: Second.

18          BENNY WAMPLER: Second. Any further discussion?

19                (No audible response.)

20          BENNY WAMPLER: All in favor, signify by saying  
21 yes.

22                (All members say yes.)

23          BENNY WAMPLER: Opposed, say no.

24

--

1 (No audible response.)

2 BENNY WAMPLER: You have approval.

3 MARK SWARTZ: Before you take a break, Les has

4 something with regard to W-34 and W-35 that he needs to---.

5 LESLIE K. ARRINGTON: We'd like to request that we

6 be able to go back now since we've pooled those, and I meant

7 to make this request and Anita happened to remind me that we

8 needed to make the request, that we be able to go ahead

9 before we get the orders and recalculate, and do all of our

10 recalculations on the unit and start paying as it is in here

11 now, instead of as it was. Where we had the new people.

12 MARK SWARTZ: This tract. So that they don't have

13 to wait any additional time?

14 LESLIE K. ARRINGTON: Yeah. And most of them did

15 sign royalty splits.

16 BENNY WAMPLER: Is there a motion to approve that?

17 DONALD RATLIFF: So move, Mr. Chairman.

18 BENNY WAMPLER: Is there a second?

19 JIM MCINTYRE: Second.

20 BENNY WAMPLER: All in favor, signify by saying

21 yes.

22 (All members say yes.)

23 BENNY WAMPLER: Opposed, say no.

24

1 (No audible response.)

2 BENNY WAMPLER: You have approval.

3 LESLIE K. ARRINGTON: Thank you.

4 BENNY WAMPLER: Break until 10:30.

5 (Off record.)

6 BENNY WAMPLER: Okay. We're back on record. Call

7 the meeting back to order. Let me just, for purpose of the

8 folks that are here today, if you don't know, as I call each

9 of these cases and say if there are any others, please come

10 forward. That's the time to do it, as I call them. Okay,

11 just so you will understand that. I will call out the...the

12 VGOB number and the unit number and things like that, and

13 I'll say, you know, parties that wish to address the Board in

14 this matter, come forward. That's the time that you would do

15 that.

16 The next item on the agenda is a petition from

17 Equitable Production Company for repooling of coalbed methane

18 Unit VC-504647. Docket Number VGOB-01-0220-0869-02. We'd

19 ask the parties that wish to address the Board in this matter

20 to come forward at this time.

21 JIM KISER: Mr. Chairman and members of the Board,

22 Jim Kiser and Don Hall on behalf of Equitable Production

23 Company. Don is passing out a revised Exhibit B now. This

24

1 is a somewhat unusual hearing for us in that this well was  
2 pooled in...back in 2001. I think the well was drilled  
3 approximately two years ago. Then upon further review of  
4 title in the area, we discovered that Pine Mountain Oil and  
5 Gas actually own the oil and gas under Tract 3, and that's  
6 why we're here today, to amend and correct the ownership  
7 under Tract 3 to reflect what the actual record title says.  
8 As you're probably aware, I think you all probably have a  
9 copy of a letter you received from Terry Ball, who is a coal  
10 owner in Tract 3 with some issues he had concerning this  
11 issue that we'll be more than happy to address, too. But I'm  
12 not going to go through the usual testimony. I don't think  
13 it's required in this particular instance. I'll let Mr. Hall  
14 kind of explain what we found upon further title review, and  
15 then if you'd like, we can go through Mr. Ball's letter and  
16 address any concerns he has.

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DON HALL

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. Don, you kind of want to explain what happened here for us?

A. Well, we force pooled a couple other wells last month that takes in this same tract and in doing further research on the property, we determined that when we initially force pooled this Tract No. 3, we thought that the owners listed as the coal owners here in this new exhibit was also the oil and gas owners, but we determined after further research doing these other two wells, that Pine Mountain actually owned the oil and gas, and that these parties that we have listed in Tract 3 under the coal exhibit were only on the coal and we initially attributed the gas to them as well.

BENNY WAMPLER: You want to just have him tell us who he is and who he works for.

JIM KISER: You want me to do all that?

Q. Mr. Hall, if you could state your name for the record, who you're employed by and in what capacity?

A. My name is Don Hall. I'm employed by

1 Equitable Production Company as district landman.

2 Q. And do your responsibilities include the  
3 land involved in this particular unit and the units in the  
4 surrounding area?

5 A. They do.

6 Q. All right. So we originally thought the  
7 folks that are now being shown as owners of the coal estate  
8 in Tract 3 were fee mineral owners. In other words, they  
9 owned the coal, oil and gas. Then upon further title work  
10 that was done for these wells that are adjacent to 504647, it  
11 was determined that Pine Mountain actually owned the oil and  
12 gas; and therefore, we're back here today to correct the  
13 ownership on that particular tract for this particular unit?

14 A. That's correct.

15 JIM KISER: I guess maybe if you want to go through  
16 Mr. Ball's letter.

17 BENNY WAMPLER: Yes.

18 JIM KISER: Does everybody have that? Do you all  
19 want to read that and I'll go through and address his  
20 concerns.

21 (Board members review Mr. Ball's letter.)

22 BENNY WAMPLER: Okay.

23 JIM KISER: Mr. Ball's concerns are with Tract 3 in  
24

1 this particular unit, and then he has some...at the bottom he  
2 has some concerns on some other units, which were, as Mr.  
3 Hall stated, the ones we pooled previously and I think we  
4 took care of those.

5 His first concern, I guess, regarding whether or  
6 not there's any right to frac the coal on this particular  
7 tract in question is more than 750 feet from the well bore.

8 His next issue is assertion that Equitable has been  
9 paying royalty on Tract 3 to the Clementine Grizzle heirs for  
10 the past three years and wishes to cease payment. There  
11 hasn't been any royalty paid to them. That's all been  
12 suspended internally basically because of his issues.

13 His last issue, that's what we're doing here today.  
14 We are going to keep his interest in under the Board's  
15 escrow account in that tract. We're doing what he asked  
16 there. There hasn't been any royalty paid on Tract 3 to  
17 anybody; and we don't require his consent to stimulate  
18 because of the distance of that tract from the well bore.

19 BENNY WAMPLER: Questions from members of the  
20 Board?

21 (No audible response.)

22 BENNY WAMPLER: Do you have anything further?

23 JIM KISER: We'd ask that the application be  
24

1 approved as submitted with these revised exhibits so that  
2 we'll have a correct reflection of the ownership of both the  
3 gas estate and the coal estate within this particular unit.

4 BENNY WAMPLER: We'll make this letter Exhibit One,  
5 the letter from Terry D. Ball. Is there a motion?

6 JIM MCINTYRE: Motion to approve.

7 BENNY WAMPLER: Second?

8 MASON BRENT: Second.

9 BENNY WAMPLER: Motion and second. Any further  
10 discussion?

11 (No audible response.)

12 BENNY WAMPLER: All in favor, signify by saying  
13 yes.

14 (All member say yes.)

15 BENNY WAMPLER: Opposed, say no.

16 (No audible response.)

17 BENNY WAMPLER: You have approval. The next item  
18 on the agenda is a petition from Equitable Production Company  
19 for pooling of coalbed methane unit BC-535601. Docket Number  
20 VGOB-04-1214-1372. We'd ask the parties that wish to address  
21 to Board in this matter to come forward at this time.

22 JIM KISER: Mr. Chairman and members of the Board,  
23 again, Jim Kiser and Don Hall on behalf of Equitable  
24

1 Production Company. We again have a revised set of exhibits  
2 that he's passing out now that will reflect both additional  
3 leases that have been picked up since time of filing the  
4 applications, and some changes of some addresses, I believe.

5 BENNY WAMPLER: The record will show there are no  
6 others. You may proceed.

7

8

9 DON HALL  
10 having been duly sworn, was examined and testified as  
11 follows:

12 DIRECT EXAMINATION

13 QUESTIONS BY MR. KISER:

14 Q. Mr. Hall, if you would again state your name  
15 for the record, who you're employed by and in what capacity?

16 A. My name is Don Hall. I'm employed by  
17 Equitable Production Company as district landman.

18 Q. And do your responsibilities include the  
19 land involved here and the surrounding area?

20 A. They do.

21 Q. Are you familiar with the application that  
22 Equitable filed seeking a pooling order to pool any unleased  
23 interest in the unit for well EPC number VC-535601, which was

24

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1 dated November 12th, 2004?

2 A. Yes.

3 Q. Now, does Equitable own drilling rights in  
4 the unit involved here?

5 A. They do.

6 Q. And in accordance with your revised Exhibit  
7 B, did you attempt prior to filing the application to make an  
8 effort to contact each of the interest owners within the unit  
9 and obtain a voluntary lease?

10 A. Yes.

11 Q. And what is the interest---? Let's see, the  
12 interest of Equitable in the gas estate under lease at the  
13 time of the application was filed was 80.59%?

14 A. That's correct.

15 Q. Now since that time you have picked up  
16 additional leases, and the interest under lease to Equitable  
17 in the gas estate now is 84.694%?

18 A. That's correct.

19 Q. Could you point out to the Board those  
20 additional leases as represented by Exhibit B-2?

21 A. Exhibit B-2 is we picked up Mary...Marie  
22 Yates since the application and Georgia Hamilton, as well.

23 Q. Okay. And what about the coal estate, is it  
24

1 100% under lease?

2 A. Yes.

3 Q. So what percentage of the gas estate within  
4 the unit remains unleased at this time?

5 A. 15.305%.

6 Q. Okay.

7 MR. KISER: Any questions on any of that?

8 BENNY WAMPLER: I have one question. Did you say  
9 you picked up Marie Yates?

10 A. Yeah.

11 BENNY WAMPLER: You list her as unknown.

12 JIM KISER: That's the address correction I was  
13 talking about.

14 BENNY WAMPLER: Pardon?

15 JIM KISER: That was the address correction I was  
16 talking about. She's in Coeburn.

17 A. Found her. The new exhibit has her new  
18 address.

19 JIM KISER: Reflects that. That would have been a  
20 pretty good trick, wouldn't it?

21 Q. Okay. In this particular unit, at this  
22 point, since we found Marie Yates, we don't have any unknown  
23 interest owners, is that correct?

24

--

1           A.       That's correct.

2           Q.       In your professional opinion, was due  
3 diligence exercised to locate each of the respondents named  
4 in Exhibit B?

5           A.       Yes.

6           Q.       Are the addresses set out in revised Exhibit  
7 B the last known addresses for the respondents?

8           A.       They are.

9           Q.       Are you requesting this Board to force pool  
10 all the unleased interest as listed at Exhibit...revised  
11 Exhibit B-3?

12          A.       Yes.

13          Q.       Are you familiar with the fair market value  
14 of drilling rights in the unit here and in the surrounding  
15 area?

16          A.       Yes.

17          Q.       Could you advise the Board as to what those  
18 are?

19          A.       We pay a five dollar bonus, five year term,  
20 one-eighth royalty.

21          Q.       In your opinion, do the terms you just  
22 testified to represent the fair market value of and the fair  
23 and reasonable compensation to be paid for drilling rights  
24



1 within this unit?

2 A. They are.

3 Q. Now, as to those respondents who remain  
4 unleased, do you recommend that they be allowed the following  
5 statutory options with respect to their ownership interest  
6 within the unit: One, participation; two, a cash bonus of  
7 five dollars per net mineral acre plus a one-eighth of eight-  
8 eighths royalty; three, in lieu of a cash bonus and one-  
9 eighth of eight-eighths royalty, a share in the operation of  
10 the well on a carried basis as a carried operator under the  
11 following conditions: Such carried operator shall be  
12 entitled to the share production from the tracts pooled  
13 accruing to his interest exclusive of any royalty or over-  
14 riding royalty reserved in any leases, assignments thereof,  
15 or agreements relating thereto of such tracts but only after  
16 the proceeds applicable to his share equal A) 300% of share  
17 of such costs applicable to the interest of the carried  
18 operator of a leased tract or portion thereof; or B) 200% of  
19 the share of such costs applicable to the interest of the  
20 carried operator of an unleased tract or portion thereof?

21 A. Yes.

22 Q. Do you recommend that the order provide that  
23 elections by respondents be in writing and sent to the

24

--

1 applicant at Equitable Production Company, 1710 Pennsylvania  
2 Avenue, P. O. Box 2347, Charleston, West Virginia 25328,  
3 attention Melanie Freeman, regulatory?

4 A. Yes.

5 Q. Should this be the address for all  
6 communications with the applicant concerning any force  
7 pooling order?

8 A. It should.

9 Q. Do you recommend that the order provide that  
10 if no written election is properly made by respondent, then  
11 such respondent should be deemed to have elected the cash  
12 royalty option in lieu of any participation?

13 A. Yes.

14 Q. Should unleased respondents be given 30 days  
15 from the date that the Board order is executed to file their  
16 written elections?

17 A. Yes.

18 Q. If an unleased respondent elects to  
19 participate, should they be given 45 days to pay the  
20 applicant for their proportionate share of well costs?

21 A. Yes.

22 Q. Does the applicant expect any party electing  
23 to participate to pay in advance that parties share of actual  
24

1 completed well costs?

2 A. Yes.

3 Q. Should the applicant be allowed 120 days  
4 following the recordation date of the Board order, and  
5 thereafter, annually on that date until production is  
6 achieved to pay or tender any cash bonus or delay rental  
7 becoming due under the force pooling order?

8 A. Yes.

9 Q. Do you recommend that the order provide that  
10 if a respondent elects to participate, but fails to pay their  
11 proportionate share of well costs satisfactory to that  
12 applicant for payment of those costs, then their election to  
13 participate should be treated as having been withdrawn and  
14 void and such respondent should be treated as if no initial  
15 election had been filed, in other words, deemed to have  
16 leased, under the force pooling order?

17 A. Yes.

18 Q. Do you recommend that the order provide  
19 where a respondent elects to participate but defaults in  
20 regard to payment of their well costs, any cash sum becoming  
21 payable to that respondent be paid within 60 days after the  
22 last date on which such respondent could have paid or made  
23 satisfactory arrangements for the payment of those completed  
24

1 well costs?

2 A. Yes.

3 Q. In this particular case, it's a coalbed  
4 methane unit and we do have conflicting claims in Tracts 1,  
5 2, 3, 4 and 5. So we do need to establish an escrow account  
6 for escrow for all five tracts, is that correct?

7 A. That's correct.

8 Q. And who should be named operator under any  
9 forced pooling order?

10 A. Equitable Production Company.

11 Q. And what is the total depth of the proposed  
12 well under the plan of development?

13 A. 2728 feet.

14 Q. What are the estimated reserves for the  
15 unit?

16 A. 300 million cubic feet.

17 Q. Now, are you familiar with the well costs  
18 for the proposed well?

19 A. Yes.

20 Q. Has an AFE been reviewed, signed and  
21 submitted to the Board as Exhibit C to this application?

22 A. It has.

23 Q. Was the AFE prepared by the department,  
24

1 engineering department, knowledgeable in the preparation of  
2 AFEs and knowledgeable in particular to well cost in this  
3 area?

4 A. Yes.

5 Q. In your professional opinion, does it  
6 represent a reasonable estimate of the well costs?

7 A. It does.

8 Q. Could you state for the Board both the dry  
9 hole costs and completed well costs?

10 A. Dry hole costs is \$133,321. The completed  
11 well cost will be \$290,345.

12 Q. Do these costs anticipate a multiple  
13 completion?

14 A. They do.

15 Q. Does your AFE include a reasonable charge  
16 for supervision?

17 A. Yes.

18 Q. In your professional opinion, would the  
19 granting of this application be in the best interest of the  
20 conservation, the prevention of waste, and the protection of  
21 correlative rights?

22 A. Yes.

23 JIM KISER: Nothing further of this witness at this  
24

1 time, Mr. Chairman.

2 MASON BRENT: Would you explain your Exhibit E from  
3 the standpoint you say deeds are recorded?

4 A. We have these same people in another well  
5 and basically what has happened is the Stidhams initially  
6 listed...the first part of three starting with Douglas  
7 Stidham, those people, we have been told, have deeded all  
8 their interest to the two parties that are listed in the  
9 second three, but they've never recorded...the two guys,  
10 David and Bruce Stidham, has never recorded the deeds. So to  
11 cover everyone, we listed the current owners of record, which  
12 is the first group of people listed in Tract No. 3, or if the  
13 deeds are ever recorded, the two guys that supposedly have  
14 the deeds for it.

15 SHARON PIGEON: You've never seen those deeds.  
16 You were just told that.

17 A. We've been told that and they've not been  
18 recorded, so we're obligated to notify the parties of record.

19 BENNY WAMPLER: Other questions from members of the  
20 Board?

21 (No audible response.)

22 BENNY WAMPLER: Do you have anything further?

23 JIM KISER: Yes. We'd ask that the application be  
24

1 approved as submitted with the revised set of exhibits.

2 BENNY WAMPLER: Is there a motion?

3 JIM MCINTYRE: Motion to approve.

4 MASON BRENT: Second.

5 BENNY WAMPLER: Motion and second. Any further  
6 discussion?

7 (No audible response.)

8 BENNY WAMPLER: All in favor, signify by saying  
9 yes.

10 (All member say yes.)

11 BENNY WAMPLER: Opposed, say no.

12 (No audible response.)

13 BENNY WAMPLER: You have approval.

14 DONALD RATLIFF: I'll abstain, Mr. Chairman.

15 BENNY WAMPLER: One abstention, Mr. Ratliff. The  
16 next item on the agenda is a petition from Equitable  
17 Production Company for pooling of coalbed methane unit BC-  
18 503042. Docket Number VGOB-04-1214-1373. We'd ask the  
19 parties that wish to address to Board in this matter to come  
20 forward at this time.

21 JIM KISER: Mr. Chairman, again, Jim Kiser and Don  
22 Hall on behalf of Equitable Production Company. Again, we  
23 have a revised set of exhibits to reflect additional leases  
24

1 picked up since the original filing of the application.

2 BENNY WAMPLER: The record will show there are no  
3 others. You may proceed.

4

5 DON HALL

6 having been duly sworn, was examined and testified as  
7 follows:

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. KISER:

10 Q. Mr. Hall, again, would you state your name  
11 for the record, who you're employed by and in what capacity?

12 A. My name is Don Hall. I'm employed by  
13 Equitable Production Company as district landman.

14 Q. And do your responsibilities include the  
15 land involved in this unit and in the surrounding area?

16 A. They do.

17 Q. Are you familiar with the application we  
18 filed seeking to pool any unleased interest in this unit for  
19 well VC-503042, which was dated November 12th, 2004?

20 A. Yes.

21 Q. Does Equitable own drilling rights in the  
22 unit involved here?

23 A. We do.

24

--



1                   Q.       And prior to filing the application, were  
2 efforts made to contact each of the respondents having an  
3 interest in the unit and an effort made...an attempt made to  
4 work out a voluntary lease agreement with each of them?

5                   A.       Yes.

6                   Q.       At the time we filed this application,  
7 Equitable had under lease in the gas estate in this unit  
8 98.10%, is that correct?

9                   A.       That's correct.

10                  Q.       Now, as reflected in these revised exhibits,  
11 Equitable has in the gas estate under lease 99.04%?

12                  A.       That's correct.

13                  Q.       Can you point out for the Board what  
14 additional lease you picked up?

15                  A.       We picked up a lease from Linda Robinson,  
16 their interest in Tract 9 and their interest in Tract 10.  
17 And also, on Exhibit B, we're dismissing her from Tract 5  
18 because we...that was a tract that her mother had leased to  
19 us years ago, and our information was that she and Carol Lou  
20 Smith, who is her sister, had inherited that at her mother's  
21 death, but as it turned out, her mother had made a deed to  
22 Carol Lou, so Linda had no interest in that and we're  
23 dismissing her from Tract 5.

24

--

1                   Q.       And in regard to the coal estate within the  
2 unit, 100% of that is under lease to Equitable?

3                   A.       Yes.

4                   Q.       So, at this point, all that remains unleased  
5 in the oil and gas estate is 0.9566%?

6                   A.       That's correct.

7                   Q.       Let's point out another little oddity in  
8 this particular unit before one of these astute folks picks  
9 it up. Let's talk about the fact that Irene Fields is leased  
10 in Tract 7 and unleased in Tract 9.

11                  A.       Same question came up before, I think, but  
12 she leased years ago in Tract 7, or...yes, in Tract 7, and  
13 then in Tract 9, she...knowing that it's a coalbed methane  
14 well and the royalty is probably going to be escrowed. She  
15 just said she didn't have any interest in fooling with it.  
16 So she's been ...she's HBB in Tract 7 in another lease by  
17 production. She said she just didn't think it was worth  
18 fooling with.

19                  Q.       Okay. And we don't have any unknown  
20 interest owners in this unit, is that correct?

21                  A.       That's correct.

22                  Q.       In your professional opinion, was due  
23 diligence exercised to locate...exercised to locate each of

24

--

1 the respondents named in our exhibits?

2 A. Yes.

3 Q. Are the addresses set out in revised Exhibit  
4 B to the application the last known addresses for the  
5 respondents?

6 A. They are.

7 Q. Are you requesting this Board to force pool  
8 all those unleased interests listed at our revised Exhibit  
9 B-3?

10 A. Yes.

11 Q. Are you familiar with the fair market value  
12 of drilling rights in the unit here and in the surrounding  
13 area?

14 A. Yes.

15 Q. Could you again advise the Board as to what  
16 those are?

17 A. We pay a five dollar bonus, five year term,  
18 one-eighth royalty.

19 Q. In your opinion, do the terms you just  
20 testified to represent the fair market value of and fair and  
21 reasonable compensation to be paid for drilling rights within  
22 this unit?

23 A. They do.

24

--

1            JIM KISER: Mr. Chairman, at this time I would like  
2 to, with your permission, incorporate testimony regarding the  
3 statutory election options that are afforded the unleased  
4 parties and their times in which to make them, and the  
5 ramifications of such that was previously...just previously  
6 taken in VGOB Docket Number 04-1214-1372.

7            BENNY WAMPLER: That will be incorporated.

8            Q. Mr. Hall, we do have **conflicting claims in**  
9 **this unit, and I believe in every tract except Tract 1, so we**  
10 **do need to establish a escrow account for Tracts 2 through**  
11 **10, is that correct?**

12           A. That's correct.

13           Q. And who should be named operator under any  
14 **force pooling order?**

15           A. Equitable Production Company.

16           Q. And what is the total depth of this proposed  
17 **well?**

18           A. 2696 feet.

19           Q. Estimated reserves for the unit?

20           A. 300 million cubic feet.

21           Q. Are you familiar with the well costs?

22           A. Yes.

23           Q. Has an AFE been reviewed, signed and  
24

1 submitted to the Board as Exhibit C?

2 A. It has.

3 Q. In your opinion, does it represent a  
4 reasonable estimate of the well costs?

5 A. It does.

6 Q. Could you tell the Board as to what those  
7 are?

8 A. Dry hole cost is \$117,839. The completed  
9 well cost will be \$285,679.

10 Q. Do these costs anticipate a multiple  
11 completion?

12 A. They do.

13 Q. Does your AFE include a reasonable charge  
14 for supervision?

15 A. Yes.

16 Q. In your professional opinion, would the  
17 granting of this application be in the best interest of  
18 conservation, the prevention of waste, and the protection of  
19 correlative rights?

20 A. Yes.

21 JIM KISER: Nothing further of this witness at this  
22 time, Mr. Chairman.

23 BENNY WAMPLER: Questions from members of the  
24

1 **Board?**

2 (No audible response.)

3 BENNY WAMPLER: You did say you are inside the

4 drilling window of this? The map shows it's real close

5 there. Or did you acknowledge that?

6 A. I didn't say, but we are inside.

7 BENNY WAMPLER: Other questions from members of the

8 Board?

9 BILL HARRIS: Just for clarification, near the well

10 I see these PP-1 plat stakes. Is that opposed to an iron

11 pin, is this a plastic stake? I mean, what's the---?

12 A. That's reference points that are used,

13 plastic stakes instead of iron pins, yeah.

14 BILL HARRIS: Instead of the iron pin?

15 A. Iron stud, I guess that's the name of them,

16 Plastake, plastic stake.

17 BILL HARRIS: I just hadn't seen that before and

18 just was curious.

19 A. Plastic stakes.

20 BILL HARRIS: Thank you.

21 BENNY WAMPLER: So we can't find them later on.

22 SHARON PIGEON: Plastic will last longer than iron.

23 BENNY WAMPLER: Metal detector won't find them. Of

24

1 course, that could have something in it that you could find  
2 with a detector. I don't know anything about it.

3 BENNY WAMPLER: Do you have anything further?

4 JIM KISER: We'd just ask that the application be  
5 approved as submitted with the submission of the revised  
6 package of exhibits.

7 BENNY WAMPLER: Is there a motion?

8 JIM McINTYRE: Motion to approve, Mr. Chairman.

9 BILL HARRIS: Second.

10 BENNY WAMPLER: Motion and second. Any further  
11 discussion?

12 (No audible response.)

13 BENNY WAMPLER: All in favor, signify by saying  
14 yes.

15 (All member say yes.)

16 BENNY WAMPLER: Opposed, say no.

17 (No audible response.)

18 BENNY WAMPLER: You have approval.

19 DONALD RATLIFF: I'll abstain, Mr. Chairman.

20 BENNY WAMPLER: One abstention. Merry Christmas to  
21 you.

22 DON HALL: Merry Christmas to you, too.

23 BENNY WAMPLER: The next item on the agenda is a  
24

1 petition from Hard Rock Exploration, Incorporated for pooling  
2 of conventional gas unit HRVAE-2 in the Garden District.  
3 Docket Number VGOB-04-1214-1374. We'd ask the parties that  
4 wish to address to Board in this matter to come forward at  
5 this time.

6 JIM KISER: Mr. Chairman and members of the Board,  
7 Jim Kiser on behalf of Hard Rock Exploration. Our witness in  
8 this matter will be Mr. Jim Stephens.

9 BENNY WAMPLER: The record will show there are no  
10 others. You may proceed.

11 JIM KISER: I'm going to hand out his resume. He's  
12 not previously testified before the Board. We have a new  
13 applicant.

14 By way of introduction, we have three wells that we  
15 have before you today, Hard Rock 2, Hard Rock 5, and Hard  
16 Rock 9; 9 is last on the docket, but Mr. Scott, who is  
17 representing Jim has stated it would be fine with him if we  
18 moved 5 and 9. We're pooling basically the same parties, if  
19 we move that one up ahead of his so that we could do these  
20 three together. So, first I would ask if the Board is okay  
21 with us doing that.

22 BENNY WAMPLER: Are you going to combine these  
23 three?

24

--



1                    JIM KISER: No, we're not going to combine them.

2 I'd just like to move 21 to 16.

3                    BENNY WAMPLER: Got you.

4                    JIM KISER: So we don't have to switch places. And  
5 these are all wells that are being drilled in the Pilgrims  
6 Knob Field, which there are field rules established, so the  
7 units are at or about 180 acre units. So the units have been  
8 established. We're just pooling any unleased interests that  
9 are within these units.

10

11                                    JAMES L. STEPHENS

12 having been duly sworn, was examined and testified as  
13 follows:

14                                    DIRECT EXAMINATION

15 QUESTIONS BY MR. KISER:

16                    Q.        Jim, state your name for the record, who  
17 you're employed by and in what capacity?

18                    JIM KISER: I'm sorry.

19                    (Witness is sworn.)

20                    A.        My name is James L. Stephens. I work for  
21 Hard Rock Exploration as operations vice president.

22                    Q.        Okay. And Hard Rock is certified to do  
23 business in Virginia, is that correct?

24

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1                   A.       Yes.

2                   Q.       And you have your bond with the DGO, is that  
3 correct?

4                   A.       Yes.

5                   Q.       And I think you've actually applied for five  
6 permits at this point?

7                   A.       Yes.

8                   Q.       Now, you've not previously testified before  
9 the Board, so before we get into our testimony and start  
10 talking about what you're trying to do here, why don't you,  
11 in conjunction with your resume that we passed out to the  
12 Board, kind of go through both your educational background  
13 and your work history.

14                  A.       I basically graduated high school in Ohio  
15 and went to the University of Kentucky and got a degree in  
16 geology with a geophysics emphasis. I started out in the oil  
17 and gas industry in the service company working for N L  
18 McCauley, doing open logging and wire line logging on oil and  
19 gas wells all over the Appalachian basin. I went from that  
20 to working for Ashland Exploration as a drilling foreman and  
21 started doing engineering work, and I was later...I was an  
22 engineering technician for them. I later took on the  
23 responsibility as a drilling engineer for Ashland. Ashland  
24

1 sold. I went to work immediately with Columbia Natural  
2 Resources in the southwest region, which drilled Kentucky,  
3 southern West Virginia and Virginia. I worked as a senior  
4 drilling engineer for two years for them. Then I was  
5 promoted to technical manager and I moved to their southeast  
6 region, which took care of most of southern West Virginia.

7           Through the sale of Columbia Natural Resources, I  
8 left Columbia Natural Resources with four principles, started  
9 Hard Rock Exploration. We have drilled wells in West  
10 Virginia. We've drilled 15 wells, successful wells, in West  
11 Virginia. We've acquired the acreage position that we  
12 have...that we are permitting now, and this hearing is about,  
13 from C L Ritter and we're proposing to drill six wells  
14 sometime before summer, weather permitting. That's my  
15 history.

16           JIM KISER: You have any questions?

17           BENNY WAMPLER: Questions from members of the  
18 Board?

19           MASON BRENT: How long have you been with Hard  
20 Rock?

21           A. It's been approximately a year. I turned in  
22 a two weeks notice with CNR and they kept me on six months.  
23 So basically I've worked a year in that capacity.

24

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1           MASON BRENT: On your resume it says employed from  
2 December 2004. I guess you mean 2003.

3           A.       Yes, sir. I'm sorry.

4           BENNY WAMPLER: Other questions?

5           (No audible response.)

6           JIM KISER: Mr. Chairman, we ask that Mr. Stephens'  
7 qualifications as a expert witness in the area of land and  
8 operations be accepted by the Board.

9           BENNY WAMPLER: We don't qualify them as expert  
10 witnesses, but we accept him as a witness, okay.

11          JIM KISER: You'll let him testify.

12          Q.       Jim, your responsibilities include the  
13 land involved in these units and in the surrounding area?

14          A.       Yes.

15          Q.       Are you familiar with Hard Rock's  
16 application to pool any unleased interest in the unit for  
17 well number two, which was dated November 12th, 2004?

18          A.       Yes.

19          Q.       By the way, before we get into this...a lot  
20 of this testimony, we submitted revised AFEs which everybody  
21 should have shortly after the original application was  
22 submitted on the 12th. We'll get to that, but hopefully you  
23 all have those in your packets. Does Hard Rock Exploration

24

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1 own drilling rights in the unit involved here?

2 A. Yes.

3 Q. And prior to filing this application, were  
4 efforts made to contact each of the respondents within the  
5 unit and an attempt made to work out a voluntary lease  
6 agreement with each of them?

7 A. Yes.

8 Q. Now, as far as percentage under lease to  
9 Hard Rock within the unit, at this time it is 65.51%, is that  
10 correct?

11 A. Yes.

12 Q. And that represents the C L Ritter interest,  
13 correct?

14 A. That's correct.

15 Q. So at this time, remaining unleased is  
16 34.49%?

17 A. That's correct.

18 Q. Which represents Tract 3, which is actually  
19 leased...the conventional oil and gas is actually leased to  
20 CNX Gas Company, is that correct?

21 A. Yes.

22 Q. And you have had discussions with Claude  
23 Morgan concerning some sort of voluntary agreement or

24

--

1 participation by them in that tract?

2 A. Yes, sir.

3 Q. And going through Exhibit B, Tracts 8 and 9,  
4 which were formerly Buchanan County School Board tracts, have  
5 been deeded to the Industrial Development Authority of  
6 Buchanan County and you have had discussions with, I believe,  
7 Craig Horn, and have a lease in front of him and probably  
8 expect some time possibly even prior to the drilling of the  
9 well to have a voluntary lease from them, is that correct?

10 A. That's correct.

11 Q. Then Tract 10 is a Caroline Cole heirs tract  
12 that was originally, I think it was a Harding lease, then  
13 Virginia Gas lease, then on to Appalachian Energy, Frank  
14 Henderson's company when he acquired the assets of Virginia  
15 Gas, and you have had discussions with Frank about some sort  
16 of assignment or again participation by him?

17 A. Yes, we are.

18 JIM KISER: By way of full disclosure, I was  
19 notified by CNX's landman today has left, that they think  
20 they may have a couple of those undivided interest owners  
21 under lease. They provided us with the leases. Our title  
22 doesn't show these people. We'll check it out and if that's  
23 the case, we'll modify the exhibit and go forward in that

24

--

1 sense.

2 Q. So subsequent to filing the application, you  
3 have attempted to reach other voluntary lease agreement, for  
4 instance, with---. I'm sorry, I left out Tract 2, which is  
5 the Norfolk Southern Railroad. You are working with them on  
6 a lease, also, right?

7 A. Yes, we are.

8 Q. You feel that at some point in time, it may  
9 be six, eight, nine months because of the nature of the  
10 entity, but you do feel like you'll be able to get a  
11 voluntary lease with them, also?

12 A. Yes, we do.

13 Q. Okay. So you've contacted everybody and  
14 attempted to either obtain a voluntary oil and gas lease or  
15 some sort of agreement in the case of another oil and gas  
16 lessee, some sort of voluntary agreement regarding the  
17 development of the unit?

18 A. Yes.

19 Q. Okay. We don't have any unknown or  
20 unidentifiable parties in the unit?

21 A. No.

22 Q. In your professional opinion, was due  
23 diligence exercised to locate each of the respondents named

24

--

1   herein?

2                   A.       Yes.

3                   Q.       Are the addresses set out in Exhibit B to

4   the application the last known addresses for the respondents?

5                   A.       Yes.

6                   Q.       Are you requesting the Board to force pool

7   all the unleased interests listed at Exhibit B-3?

8                   A.       Yes.

9                   Q.       Are you familiar with the fair market value

10   of drilling rights in the unit here and in the surrounding

11   area?

12                   A.       Yes, we are.

13                   Q.       Could you advise the Board as to what those

14   are?

15                   A.       Five year bonus, five year term, and an

16   eighth royalty.

17                   Q.       Five dollar bonus?

18                   A.       Five dollar bonus, I'm sorry.

19                   Q.       Okay. In your opinion, do the terms you

20   just testified to represent the fair market value of and fair

21   and reasonable compensation to be paid for drilling rights

22   within this unit?

23                   A.       Yes.

24



1                   Q.       As to those respondents who remain unreleased,  
2 do you agree that they should be allowed the following  
3 options statutory options with respect to their ownership  
4 interest within the unit: **One, participation; two, a cash**  
5 **bonus of five dollars per net mineral acre plus a one-eighth**  
6 **of eight-eighths royalty; three, in lieu of a cash bonus and**  
7 **one-eighth of eight-eighths royalty, a share in the operation**  
8 **of the well on a carried basis as a carried operator under**  
9 **the following conditions: Such carried operator shall be**  
10 **entitled to the share production from the tracts pooled**  
11 **accruing to his interest exclusive of any royalty or**  
12 **overriding royalty reserved in any leases, assignments**  
13 **thereof, or agreements relating thereto of such tracts but**  
14 **only after the proceeds applicable to his share equal A) 300%**  
15 **of share of such costs applicable to the interest of the**  
16 **carried operator of a leased tract or portion thereof; or B)**  
17 **200% of the share of such costs applicable to the interest of**  
18 **the carried operator of an unreleased tract or portion thereof?**

19                   A.       Yes.

20                   Q.       Do you recommend that the order provide that  
21 elections by respondents be in writing and sent to the  
22 applicant at Hard Rock Exploration, Inc., P. O. Box 13059,  
23 Charleston, West Virginia 25360, attention Jim Stephens,

24

--

1 regulatory?

2 A. Yes.

3 Q. Should this be the address for all  
4 communications with the applicant concerning any force  
5 pooling order?

6 A. Yes.

7 Q. Do you recommend that the order provide that  
8 if no written election is properly made by respondent, then  
9 such respondent should be deemed to have elected the cash  
10 royalty option in lieu of participation?

11 A. Yes.

12 Q. Should unleased respondents be given 30 days  
13 from the date the is executed to file their written  
14 elections?

15 A. Yes.

16 Q. If an unleased respondent elects to  
17 participate, should they be given 45 days to pay for their  
18 proportionate share of well costs?

19 A. Yes.

20 Q. Does the applicant expect the party electing  
21 to participate to pay in advance that party's share of actual  
22 completed well costs?

23 A. Yes.

24

--

1           Q.       Do you recommend that the order provide that  
2 if the respondent elects to participate but fails to pay the  
3 proportionate share of well cost satisfactory to the  
4 applicant for the payment of those costs, then their election  
5 to participate should be treated as having been withdrawn and  
6 void?

7           A.       Yes.

8           Q.       Do you recommend that the order provide that  
9 where a respondent elects to participate but defaults in  
10 regard to the payment of well costs, any cash sum becoming  
11 payable to that respondent be paid within 60 days after the  
12 last date on which such respondent could have paid or made  
13 satisfactory arrangements for payment of those well costs?

14          A.       Yes.

15          Q.       This is a conventional well, we don't have  
16 any unknown interest owners, so in this particular case, we  
17 do not need the Board to establish an escrow account, is that  
18 correct?

19          A.       That's correct.

20          Q.       And who should be named operator under any  
21 force pooling order?

22          A.       Hard Rock Exploration, Incorporated.

23          Q.       And what's the total depth of the proposed  
24

1 well?

2 A. 5200 feet.

3 Q. Is the applicant requesting the force  
4 pooling of conventional gas reserves, not only to include any  
5 designated formations in your permit, but any other  
6 formations excluding coal formations which may be between  
7 those formations designated from surface to total depth  
8 drilled?

9 A. Yes.

10 Q. What are the estimated reserves for the  
11 unit?

12 A. 400 million cubic feet.

13 Q. Are you familiar with the well costs?

14 A. Yes.

15 Q. Has an AFE been reviewed, signed and  
16 submitted to the Board?

17 A. Yes.

18 Q. And that AFE was signed by you, I believe?

19 A. Yes.

20 Q. It was prepared by your department,  
21 knowledgeable in the preparation of AFEs?

22 A. Yes.

23 Q. In your professional opinion, does it  
24

1 represent a reasonable estimate of the well costs?

2 A. Yes, it does.

3 Q. Could you state for the Board both the dry  
4 hole cost and completed well cost for this well?

5 A. Dry hole cost will be \$176,086.25. The  
6 completed well cost will be \$423,314.25.

7 Q. And that includes all pipeline cost?

8 A. Yes.

9 Q. And that was the reason for submitted this  
10 second AFE?

11 A. Yes.

12 Q. The first AFE didn't include pipeline cost?

13 A. The spreadsheet that was...the AFE that was  
14 submitted was not adding...they were there, but it was adding  
15 to the bottom line. It was to correct a mistake.

16 Q. Okay. And do these costs anticipate a  
17 multiple completion?

18 A. Yes.

19 Q. Does your AFE include a reasonable charge  
20 for supervision?

21 A. Yes.

22 Q. In your professional opinion, would the  
23 granting of this application be in the best interest of the  
24

1 conservation, the prevention of waste, and the protection of  
2 correlative rights?

3 A. Yes.

4 JIM KISER: Nothing further of this witness at this  
5 time, Mr. Chairman.

6 BENNY WAMPLER: Questions from members of the  
7 Board?

8 Q. Your location is within the interior window?

9 A. Yes.

10 BENNY WAMPLER: You got an existing CBM well? Is  
11 that showing 350 feet next to the proposed well?

12 JIM KISER: Uh-huh.

13 BENNY WAMPLER: Any questions?

14 (No audible response.)

15 BENNY WAMPLER: Do you have anything further?

16 JIM KISER: Mr. Chairman, we'd ask that the  
17 application be approved as submitted.

18 BENNY WAMPLER: Is there a motion?

19 JIM MCINTYRE: Motion to approve.

20 PEGGY BARBAR: I second.

21 BENNY WAMPLER: Second. Any further discussion?

22 (No audible response.)

23 BENNY WAMPLER: All in favor, signify by saying  
24

--

1 yes.

2 (All members say yes.)

3 BENNY WAMPLER: Opposed, say no.

4 (No audible response.)

5 BENNY WAMPLER: You have approval. The next item on

6 the agenda is a petition from Hard Rock Exploration,

7 Incorporated for pooling of conventional gas unit HRVAE-5,

8 Garden District, Buchanan County. Docket Number VGOB-04-

9 1214-1375. We'd ask the parties that wish to address to

10 Board in this matter to come forward at this time.

11 JIM KISER: Again, Mr. Chairman, Jim Kiser and Jim

12 Stephens on behalf of Hard Rock. This particular

13 application, we initially sent it out with some mistakes on

14 Tract 2. We refiled it within the statutory period with the

15 correct interest on there. And it also had a latter filed

16 AFE that added all the cost in including the pipeline cost.

17 Hopefully everybody has the correct information in their

18 packet. This particular 180 acre unit only had two tracts in

19 it, and Tract 2 we're pooling because it's under lease to EOG

20 Resources.

21

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JAMES L. STEPHENS, JR.

4

DIRECT EXAMINATION

5 QUESTIONS BY MR. KISER:

6

Q. Mr. Stephens, if you'd again state your name  
7 for the record, who you're employed by and in what capacity?

8

A. James L. Stephens, Jr., vice president of  
9 operations for Hard Rock Exploration.

10

Q. And your responsibilities include the  
11 land involved here and the surrounding area?

12

A. Yes.

13

Q. And does Hard Rock Exploration own drilling  
14 rights in the unit involved here?

15

A. Yes.

16

Q. And prior to filing the application, did you  
17 contact EOG Resources and talk to them about working out  
18 some sort of voluntary agreement, whether it be assignment,  
19 or format, or joint operating agreement, or talk to them  
20 about their participation in this unit, either directly or  
21 indirectly?

22

A. Yes.

23

Q. And those negotiations and talks are

24

--



1 ongoing?

2 A. Yes.

3 Q. Now, what is the interest that is under  
4 lease to Hard Rock within the unit?

5 A. 65.66% of the unit.

6 Q. And that is represented by Tract 1, which is  
7 the Ritter lease?

8 A. Yes.

9 Q. And the percentage of the unit remains  
10 unleased at this time is 34.34%?

11 A. Yes.

12 Q. Which is represented by the Yukon Pocahontas  
13 et al tract, which is Tract 2 in the unit?

14 A. Yes.

15 Q. And they are set out as an unleased party in  
16 Exhibit B-3?

17 A. Yes.

18 Q. We don't have any unknown interest owners?

19 A. No.

20 Q. In your professional opinion, was due  
21 diligence exercised to locate each of the respondents named  
22 herein?

23 A. Yes.

24

1           Q.       Are the addresses set out in Exhibit B to  
2 the application the last known addresses for the respondents?

3           A.       Yes.

4           Q.       Are you requesting the Board to force pool  
5 all the interests listed at Exhibit B-3, which is Tract 2 for  
6 this unit?

7           A.       Unleased interest, yes.

8           Q.       Again, are you familiar with the fair market  
9 value of drilling rights here and in the surrounding area?

10          A.       Yes.

11          Q.       Could you advise the Board as to what those  
12 are?

13          A.       Five dollar bonus, five year term, and an  
14 eighth royalty.

15          Q.       All right. In your professional opinion, do  
16 the terms you just testified to represent fair market value  
17 of and fair and reasonable compensation for drilling rights  
18 to be paid within this unit?

19          A.       Yes.

20          Q.       To pay for drilling rights within this unit?

21          A.       Yes.

22          JIM KISER: Mr. Chairman, if we could again at this  
23 time, regarding the options that will be afforded EOG

24

--

1 Resources under the statute that we previously took testimony  
2 on in VGOB number 04-1214-1374, we'd ask that they be  
3 incorporated for purposes of this hearing?

4 BENNY WAMPLER: They will be incorporated.

5 Q. We don't have any reason to establish an  
6 escrow account for this unit, is that correct?

7 A. That's correct.

8 Q. And who should be named operator under any  
9 force pooling order?

10 A. Hard Rock Exploration, Incorporated.

11 Q. And what's the total depth of the proposed  
12 well?

13 A. 5450 feet.

14 Q. Are we requesting the force pooling of these  
15 conventional gas reserves, not only to include designated  
16 formations, but any other formations excluding coal  
17 formations which may be between those formations designated  
18 from the surface to total depth drilled?

19 A. Yes.

20 Q. And the estimated reserves for this unit?

21 A. 400 million cubic feet.

22 Q. Are you familiar with and actually prepared  
23 the AFE that was filed as Exhibit C to this application?

24

1 A. Yes.

2 Q. In your opinion, does it represent a  
3 reasonable estimate of the well costs?

4 A. Yes, it does.

5 Q. Could you state for the Board what those  
6 are?

7 A. Dry hole costs are \$188,417.50. Completed  
8 well cost is \$400,375 even.

9 Q. And do these costs anticipate a multiple  
10 completion?

11 A. Yes.

12 Q. Does your AFE include a reasonable charge  
13 for supervision?

14 A. Yes.

15 Q. In your professional opinion, would the  
16 granting of this force pooling application be in the best  
17 interest of the conservation, the prevention of waste, and  
18 the protection of correlative rights?

19 A. Yes.

20 JIM KISER: Nothing further of this witness at this  
21 time, Mr. Chairman.

22 BENNY WAMPLER: Questions from members of the  
23 Board?

24

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1 (No audible response.)

2 BENNY WAMPLER: Do you have anything further, Mr.

3 Kiser?

4 JIM KISER: Mr. Chairman, we'd ask that the

5 application be approved as submitted.

6 BENNY WAMPLER: Is there a motion?

7 JIM McINTYRE: Motion to approve.

8 DONALD RATLIFF: Second.

9 BENNY WAMPLER: Motion and second. Any further

10 discussion?

11 (No audible response.)

12 BENNY WAMPLER: All in favor, signify by saying

13 yes.

14 (All members say yes.)

15 BENNY WAMPLER: Opposed, say no.

16 (No audible response.)

17 BENNY WAMPLER: You have approval. We go to number

18 21, the last item on the Board's agenda. We call the

19 petition from Hard Rock Exploration, Incorporated for

20 creation and pooling of conventional gas unit HRVAE-9, in

21 the Garden District. Docket Number VGOB-04-1214-1381. We'd

22 ask the parties that wish to address to Board in this matter

23 to come forward at this time.

24

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1                    JIM KISER: Mr. Chairman and members of the Board,  
2 again, Jim Kiser and Jim Stephens on behalf of Hard Rock  
3 Explorations. This particular unit has four tracts, Tracts  
4 1, 2 and 4 being C L Ritter tracts that are under lease by  
5 Hard Rock; and again, Tract 3 being a Yukon Pocahontas et al  
6 tract that is under lease to EOG Resources. So it's somewhat  
7 the same situation as well number five, less of a percentage  
8 that's unleased, only 20.5%.

9

10                    JAMES L. STEPHENS, JR.

11                    DIRECT EXAMINATION

12 QUESTIONS BY MR. KISER:

13                    Q.        Again, Mr. Stephens, if you'd state for the  
14 Board who you're employed by and what capacity, and do your  
15 responsibilities include the land involved here and the  
16 surrounding area?

17                    A.        My name is James L. Stephens, Jr. I work  
18 for Hard Rock Exploration as vice president of operations.  
19 What was the last part of that, Mr. Kiser?

20                    Q.        Do your responsibilities include the  
21 land involved here?

22                    A.        Yes, it does.

23                    Q.        All right. And are you familiar with the  
24

--

1 application we filed seeking to pool the interest represented  
2 in Tract 3 for Hard Rock Unit No. 9, and that application was  
3 dated November 12th, 2004?

4 A. Yes.

5 Q. And does Hard Rock own drilling rights in  
6 the unit involved here?

7 A. Yes.

8 Q. And prior to filing the application, have  
9 you talked with representatives at EOG regarding some sort of  
10 voluntary agreement and/or participation by them in this  
11 unit?

12 A. Yes.

13 Q. And the interest of Hard Rock Exploration  
14 under lease in this particular unit is 79.50%?

15 A. Yes.

16 Q. And the percentage is represented by Tract 3  
17 that is unleased as 20.50%?

18 A. Yes.

19 Q. And Tract 3, the tract that we're force  
20 pooling is set out in Exhibit B-3?

21 A. Yes.

22 Q. In your professional opinion, was due  
23 diligence exercised to locate each of the respondents named  
24

1 in Exhibit B?

2 A. Yes.

3 Q. Are the are the addresses set out in Exhibit  
4 B the last known addresses for the respondents?

5 A. Yes.

6 Q. Are you requesting the Board to force pool  
7 the interests listed at Exhibit B-3?

8 A. Yes.

9 Q. Again, are you familiar with the fair market  
10 value of drilling rights in the unit here and in the  
11 surrounding area?

12 A. Yes.

13 Q. Could you advise the Board as to what those  
14 are?

15 A. Five dollars an acre bonus, five year term,  
16 and an eighth royalty.

17 Q. All right. In your opinion, do the terms  
18 you just testified to represent fair market value of and fair  
19 and reasonable compensation to be paid for drilling rights  
20 within this unit?

21 A. Yes.

22 JIM KISER: Again, Mr. Chairman, regarding the  
23 statutory election options afforded any unleased respondents  
24



1 and the time periods in which they can make those, we ask  
2 that the testimony from our hearing 04-1214-1374 be  
3 incorporated for purposes of this hearing?

4 BENNY WAMPLER: They will be incorporated.

5 Q. Again, Mr. Stephens, we do not need to  
6 establish an escrow account for this unit, is that correct?

7 A. No, we don't.

8 Q. And who should be named operator under any  
9 force pooling order?

10 A. Hard Rock Exploration, Incorporated.

11 Q. And what's the total depth of the proposed  
12 well?

13 A. 5710.

14 Q. And this will be...we're asking....  
15 requesting the force pooling of conventional gas reserves,  
16 not only to include designated formations, but any other  
17 formations excluding coal formations which may be between  
18 those formations designated from the surface to total depth  
19 drilled?

20 A. Yes.

21 Q. And the estimated reserves for this unit?

22 A. 400 million cubic feet.

23 Q. Did you prepare an AFE as Exhibit C to this  
24

1 application?

2 A. Yes.

3 Q. In your professional opinion, does it  
4 represent a reasonable estimate of the well costs?

5 A. Yes.

6 Q. Could you state the dry hole cost and the  
7 completed well cost for this well?

8 A. Dry hole costs are \$196,702.50. The  
9 completed well cost are \$418,146 even.

10 Q. And do these costs anticipate a multiple  
11 completion?

12 A. Yes.

13 Q. Does your AFE include a reasonable charge  
14 for supervision?

15 A. Yes.

16 Q. In your professional opinion, would the  
17 granting of this application be in the best interest of the  
18 conservation, the prevention of waste, and the protection of  
19 correlative rights?

20 A. Yes.

21 JIM KISER: Nothing further of this witness at this  
22 time, Mr. Chairman.

23 BENNY WAMPLER: Questions from members of the  
24

1 Board?

2 MASON BRENT: Mr. Chairman.

3 BENNY WAMPLER: Mr. Brent.

4 MASON BRENT: I just have one small request. If

5 you will, on your future AFEs...I notice these revised one

6 have no approval date on them.

7 A. Okay.

8 MASON BRENT: If you could, include a date that

9 they are approved.

10 A. Yes, sir.

11 BENNY WAMPLER: Other questions from members of the

12 Board?

13 (No audible response.)

14 BENNY WAMPLER: Do you have anything further, Mr.

15 Kiser?

16 JIM KISER: Mr. Chairman, we'd ask that the

17 application be approved as submitted.

18 BENNY WAMPLER: Is there a motion?

19 JIM McINTYRE: Motion to approve.

20 PEGGY BARBAR: I second.

21 BENNY WAMPLER: Any further discussion?

22 (No audible response.)

23 BENNY WAMPLER: All in favor, signify by saying

24

--

1 yes.

2 (All members say yes.)

3 BENNY WAMPLER: Opposed, say no.

4 (No audible response.)

5 BENNY WAMPLER: You have approval.

6 BOB WILSON: Mr. Chairman.

7 BENNY WAMPLER: Mr. Wilson.

8 BOB WILSON: Let me ask just for clarification. It

9 sounds like all of these units are probably going to have

10 some resolve issues, but there's no voluntary agreements. Am

11 I correct in assuming that the Board order will reflect the

12 application and the tracts that are being pooled today, and

13 that anything that changes in the future will be handled in a

14 supplemental order?

15 JIM KISER: That would be my wish.

16 BENNY WAMPLER: I would think that that would be

17 handled that way. I mean, I don't...I'm leaving it open for

18 the Board to have any concern about that, but typically as

19 long as we've got a supplemental order with the backup

20 documentation.

21 JIM KISER: With the affidavit?

22 BENNY WAMPLER: With the affidavit, right. Merry

23 Christmas to you.

24

--

1           JIM KISER: Merry Christmas to you.

2           BENNY WAMPLER: The next item on the agenda is a  
3 petition from GeoMet Operating Company, Incorporated for  
4 pooling of coalbed methane unit Rogers 164 CBM Unit C-46.  
5 Docket Number VGOB-04-1214-1376. We'd ask the parties that  
6 wish to address to Board in this matter to come forward at  
7 this time.

8           TIM SCOTT: It's not as bad as it looks I promise.  
9           (Mr. Scott passes out exhibits.)

10          TIM SCOTT: I'm going to brown-nose a little bit.  
11 We've been dealing with a board up in West Virginia. You all  
12 are a Rolls Royce, I'll tell you that.

13          SHARON PIGEON: Thank you.

14          DONALD RATLIFF: We're not through with you yet.

15          TIM SCOTT: Don't be mean now.

16          BENNY WAMPLER: Regardless of what we do to your  
17 attorney, we welcome you to Virginia.

18          DONALD D. PATTON: We appreciate that.

19          TIM SCOTT: As with the prior applicant, GeoMet is  
20 new to the area, as well. So one of the things I'm going to  
21 do to start with, I have two gentlemen here who are going to  
22 be testifying. One of the gentlemen, Mr. Taylor, has not  
23 testified before, so I'm going to provide you with his resume  
24

1 to start with.

2 I'm Tim Scott and the gentlemen who are with me to  
3 testify today are Don Patton and Jeff Taylor. If you all  
4 want to be sworn in.

5 (Both witnesses are sworn.)

6 BENNY WAMPLER: The record will show there are no  
7 others. You may proceed.

8 TIM SCOTT: Thank you, Mr. Chairman. I have with  
9 me a copy of Mr. Patton's resume, although he has been  
10 qualified to testify as an expert witness before. If the  
11 Board needs those copies, I'll provide them, but otherwise,  
12 he has been qualified. Do you all need his resume? This is  
13 on land matters.

14 BENNY WAMPLER: If you have it, since we have some  
15 new Board members, it wouldn't hurt to pass it out.

16 TIM SCOTT: I say that and I probably won't be able  
17 to get my hands on it.

18

19 DONALD D. PATTON  
20 having been duly sworn, was examined and testified as  
21 follows:

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. SCOTT:

24

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1                   Q.       Mr. Patton, would you please state your  
2 name, full name?

3                   A.       My name is Donald D. Patton.

4                   Q.       And by whom are you employed?

5                   A.       I'm currently employed as consulting landman  
6 with GeoMet Operating Company, Inc.

7                   Q.       Is GeoMet the applicant here?

8                   A.       Yes, they are.

9                   Q.       And what is your job description, please?

10                  A.       Basically, my job description at this point  
11 in time is landowner relations, lease acquisitions,  
12 courthouse research.

13                  Q.       Are you familiar with GeoMet's application  
14 for the establishment of a drilling unit and seeking pooling  
15 of unleased interests for this particular well, the  
16 application having been filed November the 12th?

17                  A.       I am.

18                  Q.       Is this unit located within the Oakwood  
19 coalbed gas field number one?

20                  A.       Yes, it is.

21                  Q.       And does it contain 80 acres?

22                  A.       Yes, it does.

23                  Q.       Does GeoMet own drilling rights in this  
24

1 unit?

2 A. Yes, they do, sir.

3 Q. Are there any respondents who are listed on

4 Exhibit B who should be dismissed from this application?

5 A. No, there are not.

6 Q. Are ongoing efforts being made to reach

7 voluntary agreement with those parties listed on Exhibit B?

8 A. Yes, they are.

9 Q. How was notice provided to the respondents

10 listed in Exhibit B?

11 A. In two ways; first by certified mail return

12 receipt requested; then also, official publication.

13 Q. Where was notice published?

14 A. In---.

15 Q. What newspaper? Was it the Bristol Herald

16 Courier?

17 A. Yes, it was. I'm sorry. Thank you.

18 Q. Has a proof of publication and mail

19 certification been provided regarding this application?

20 A. Yes, it has.

21 Q. Are there any unknown owners in this unit?

22 A. Not to my knowledge, sir.

23 Q. And you have tried to locate the parties in

24



1 the unit?

2 A. Yes, we have.

3 Q. Is GeoMet authorized to do business in the

4 Commonwealth?

5 A. Yes, they are.

6 Q. And has it registered with the Department of

7 Mines, Minerals and Energy?

8 A. Yes, it has.

9 Q. Does it have a blanket bond on file?

10 A. Yes, it does.

11 Q. Are you familiar with the lease terms in

12 this area?

13 A. Yes, I am.

14 Q. And what would those lease terms be?

15 A. Current market value, lease terms that we're

16 offering in the area is \$20 per acre bonus, one-eighth

17 royalty, five year primary term and five dollar rentals.

18 Q. And does this, in your opinion, represent a

19 fair and reasonable value for drilling rights---?

20 A. Yes.

21 Q. ---in this area?

22 A. Yes, it does.

23 Q. What percentage of the coal estate does

24

1 GeoMet have under lease?

2 A. In the Rogers 164, 92.76%.

3 Q. Okay. And what percentage of the coal

4 estate?

5 A. That was the coal estate.

6 Q. I'm sorry, the oil and gas estate? I

7 apologize.

8 A. 81.165%.

9 Q. Okay. What percentage of the oil and gas

10 estate does GeoMet seek to pool?

11 A. The oil and gas estate is 18.835%.

12 Q. And what about the coal estate?

13 A. 7.24%.

14 Q. With regard to this unit, is there an escrow

15 requirement?

16 A. Yes.

17 Q. Has that been provided to the Board, Exhibit

18 E?

19 A. Yes.

20 Q. Are you requesting the Board to pool the

21 unleased parties listed on Exhibit B?

22 A. Yes, we are.

23 Q. And are you requesting that GeoMet be named

24

1 operator for this unit?

2 A. Yes, we are.

3 TIM SCOTT: Does the Board have any questions?

4 BENNY WAMPLER: Any questions from members of the  
5 Board?

6 MASON BRENT: Exhibit E that you passed out, that's  
7 not a revised E?

8 TIM SCOTT: That's the one that we didn't get to  
9 you in the outset. Yes, sir.

10 BENNY WAMPLER: I'm not hearing any questions of  
11 this witness. We'll call your other witness.

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JEFFERY HAROLD TAYLOR

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Taylor, would you state your full name for the record?

A. Jeffery Harold Taylor.

Q. And by whom are you employed?

A. GeoMet Operating Company, Incorporated.

Q. Now as I indicated to the Board earlier, you have not qualified to testify as an expert before, have you not?

A. No, I haven't.

Q. As a bit of background, and give us your educational and work experience, if you would, please?

A. Okay. Graduated Virginia Tech in 1992 with a Bachelor of Science in mining engineering. I went to work in the coal fields immediately thereafter for a smaller coal company, and probably six months later I went to work for Consolidation Coal Company at their Buchanan mines as general underground utility work. While I was there I performed several different functions and I came out of the coal mines

1 and went into their degas operations.

2           In the degas operations, I worked as a command  
3 center operator for a period of time. From there I was  
4 promoted to shift supervisor over most all their gob wells in  
5 the Pocahontas Gas Partnership area. A little while later we  
6 were partnered up with Conoco, Inc. at that time, and  
7 Conoco...I was lent out to Conoco at that time as an  
8 assistant engineer. Shortly thereafter, Conoco made me an  
9 offer as a project engineer and I went with Conoco until the  
10 point of their sale out of the Pocahontas Gas Partnership.  
11 At that time, I went back with Consol Energy, and I was a  
12 project engineer, moved on into the production foreman roll.  
13 In February 2003, I went with GeoMet Operating Company as  
14 project engineer. In August of '03, I was promoted into the  
15 project manager roll and currently there today.

16           TIM SCOTT: Any questions from members of the  
17 Board?

18           BENNY WAMPLER: Questions from the Board?

19           BILL HARRIS: I just---.

20           BENNY WAMPLER: Mr. Harris.

21           BILL HARRIS: Actually not about the background or  
22 anything. One of your...this is just for my own personal  
23 information. That command center operator, when you were  
24

--

1 doing the methane levels, there's a reference here that says  
2 the system was almost totally automated control using PLC  
3 technology. This is more personal than for the Board.

4           A.       Basically, some of you all may have visited  
5 their facilities, but it's a big computer room. We can  
6 monitor all the gas wells, the quality of the methane that  
7 was producing. And we could also monitor the methane levels  
8 within the mines. At that time I think it was VP-8, Island  
9 Creek VP-8, VP-5, and the Buchanan mines. And based on the  
10 methane levels, we made decisions on how to operate the  
11 wells. As the methane levels rose in the mines, sometimes we  
12 had to vent the wells to the atmosphere because we had to  
13 basically pull on them so hard that the gas quality would  
14 diminish below pipeline quality, as PLC is programable logic  
15 control.

16           BILL HARRIS: Thank you.

17           BENNY WAMPLER: Any others?

18           (No audible response.)

19           BENNY WAMPLER: Thank you.

20           TIM SCOTT: I would ask, of course, that Mr.  
21 Taylor's testimony be considered an expert...be considered an  
22 expert witness in technical matters.

23           BENNY WAMPLER: You probably heard me say we don't

24

--

1 qualify them as expert---.

2           TIM SCOTT: Oh, that's right.

3           BENNY WAMPLER: ---we accept him as a witness.

4           TIM SCOTT: Okay.

5           BENNY WAMPLER: You may proceed.

6           TIM SCOTT: I said that and then had an old moment.

7 Sorry.

8           BENNY WAMPLER: That's okay.

9           Q.       Mr. Taylor, are you familiar with the

10 application, GeoMet's application, currently before the

11 Board?

12           A.       Yes.

13           Q.       Are you familiar with the total depth of

14 this proposed well?

15           A.       Yes.

16           Q.       And what would that be?

17           A.       1920 feet.

18           Q.       Are you requesting that the Board...that the

19 interest listed on the application be pooled, all the

20 formations, target formations?

21           A.       Yes.

22           Q.       And what are the reserve estimates for this

23 unit?

24

1           A.       1.4 BCF.

2           Q.       Are you familiar also with the well cost for  
3 this proposed well?

4           A.       Yes.

5           Q.       And what would the dry hole estimated cost  
6 be?

7           A.       Approximately \$125,000.

8           Q.       And what about the completed well cost?

9           A.       Approximately \$325,000.

10          Q.       Did you participate in preparing an AFE,  
11 which has been submitted to the Board?

12          A.       Yes.

13          Q.       Okay. Was this AFE prepared by an  
14 engineering department with knowledge of drilling costs?

15          A.       Yes, myself with the managers in our area.

16          Q.       Okay. Does...do you have a supervision cost  
17 line item on this AFE?

18          A.       Yes.

19          Q.       You do. In your opinion, would granting  
20 this application be in the best interest of conservation and  
21 protection of correlative rights?

22          A.       Yes.

23          TIM SCOTT: That's all I have, Mr. Chairman, for  
24



1 this witness.

2           BENNY WAMPLER: Just a couple of things to clean  
3 up. Of course, interesting for the Board to hear 1.4 PCF.  
4 We usually hear 400 million cubic feet. It's good to hear  
5 that. It's good to hear different numbers. Clean up on some  
6 of the testimony, your application says one thing and your  
7 AFE says another...or your testimony says another. And I  
8 don't mean anything by that, other than just for  
9 clarification.

10           TIM SCOTT: What is the conflict, Mr. Chairman.  
11 We'll fix that.

12           BENNY WAMPLER: There's...on the total amount, you  
13 have an estimate of 325 and it actually says here 323,059.

14           TIM SCOTT: Yes.

15           BENNY WAMPLER: Is---?

16           TIM SCOTT: The application...this is correct.

17           A. That's correct. I said approximately 325.

18           BENNY WAMPLER: Right, I understand. I'm not  
19 trying to pick on you. Also, the BCF was listed, the  
20 estimated life of the proposed well was 658 to 1056 million  
21 cubic feet in your application and you said 1.4 BCF. Here  
22 again, I'm not trying to pick on you, I'm just trying to get  
23 clarification because if it ever comes up down the road, we

24

--

1 had it clarified. That's on the second page of your  
2 application, paragraph E.

3 A. Yes, I see it.

4 BENNY WAMPLER: So, is 1.4 BCF what you think it  
5 would be?

6 A. Yes, I think that's our newest number.

7 BENNY WAMPLER: That's fine. We'll take that as  
8 testimony today. You may proceed.

9 TIM SCOTT: I ask that the application be approved  
10 as submitted, Mr. Chairman.

11 BENNY WAMPLER: Questions from members of the  
12 Board?

13 BOB WILSON: Mr. Chairman.

14 BENNY WAMPLER: Mr. Wilson.

15 BOB WILSON: Can I pick on him just a bit, too?

16 BENNY WAMPLER: You may.

17 BOB WILSON: You have supplied us with a list of  
18 notifications and the tracking numbers, the mail track  
19 numbers, that sort of thing.

20 TIM SCOTT: Yes.

21 BOB WILSON: Would appreciate it if you would file  
22 copies of the green cards that you actually got back.

23 TIM SCOTT: I've got them right here.

24

--

1           BOB WILSON: If we have the tracking numbers, it's  
2 sufficient that we could check if it's necessary, but we  
3 prefer to have the green cards.

4           TIM SCOTT: We will have those delivered to you. I  
5 actually called and asked about that yesterday, Mr. Wilson,  
6 and was told this was sufficient. But I'll get those to you.

7           BOB WILSON: Sorry about that.

8           TIM SCOTT: That's all right. That's okay.

9           BENNY WAMPLER: Any other questions?

10          TIM SCOTT: If I had a copier, I'd do it for you  
11 right now, but I'll do that when I get back.

12          BENNY WAMPLER: Do you have anything further, Mr.  
13 Scott?

14          TIM SCOTT: No, sir.

15          DONALD RATLIFF: Move to approve.

16          BENNY WAMPLER: I have a motion to approve. Is  
17 there a second?

18          JIM McINTYRE: Second.

19          BENNY WAMPLER: Motion and second. Any further  
20 discussion?

21          (No audible response.)

22          BENNY WAMPLER: All in favor, signify by saying  
23 yes.

24

1 (All members say yes.)

2 BENNY WAMPLER: Opposed, say no.

3 (No audible response.)

4 BENNY WAMPLER: You have approval.

5 TIM SCOTT: Mr. Chairman, the next item is also a

6 pooling application, and each of these applications that we

7 have before the Board today involve what we like to call the

8 Rogers cousins, and when we get to the latter three, they're

9 the only parties to be pooled; and the reason for the

10 difference in the Exhibit B is that their ownership in each

11 of these tracts is not consistent. So I would like, if I

12 could, to consolidate the last three of these applications as

13 far as testimony is concerned. This one is different, as

14 well as 164, if that would be acceptable to the Board.

15 BENNY WAMPLER: We'll do that. The next item on

16 the agenda is a petition from GeoMet Operating Company,

17 Incorporated for pooling of coalbed methane unit Rogers 165

18 CBM Unit C-47, Garden District. Docket Number VGOB-04-1214-

19 1377. We'd ask the parties that wish to address to Board in

20 this matter to come forward at this time.

21 TIM SCOTT: Again, Mr. Chairman, Tim Scott, Don

22 Patton and Jeff Taylor for GeoMet Operating.

23 BENNY WAMPLER: The record will show there are no

24

1 others. You may proceed.

2

3 DONALD D. PATTON

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. SCOTT:

6 Q. Mr. Patton, again, would you state your name  
7 for the record?

8 A. Yes, Donald D. Patton.

9 Q. And by whom are you employed?

10 A. As a consulting landman with GeoMet  
11 Operating Company, Inc.

12 Q. And your job description, please?

13 A. Basically as a contract landman, lease  
14 acquisition, negotiations, courthouse work and landowner  
15 relations.

16 Q. Are you familiar with GeoMet's application  
17 for this particular unit?

18 A. I am, sir.

19 Q. Is this unit also located in the Oakwood  
20 coalbed gas field number one?

21 A. Yes, it is.

22 Q. And it contains 80 acres?

23 A. Yes, it does.

24

--

1 Q. Does GeoMet own drilling rights in this  
2 particular unit?

3 A. Yes, they do.

4 Q. Are there any respondents listed as unleased  
5 on Exhibit B that should be dismissed from the application?

6 A. No, sir.

7 Q. Are ongoing efforts being made to contact  
8 and enter into voluntary agreements with these unleased  
9 parties?

10 A. Yes, they are.

11 Q. How was notice provided to the respondents  
12 listed on Exhibit B?

13 A. In two manners, certified mail return  
14 receipt requested, and official publication.

15 Q. And where was notice published?

16 A. In Bristol Herald Courier.

17 Q. Are the last known addresses of the  
18 respondents listed on Exhibit B to the pooling application?

19 A. Yes, they are.

20 Q. And have you filed proofs of publication and  
21 mail certifications with regard to mailing with the Board?

22 A. Yes, we have.

23 TIM SCOTT: And, Mr. Wilson, we'll provide you with  
24

1 those green cards on this one as well.

2 Q. We've already established that GeoMet is  
3 authorized to conduct business in Virginia?

4 A. Yes.

5 Q. Has registered with the Department of Mines,  
6 Minerals and Energy, and does have a bond on file?

7 A. That is correct.

8 Q. Are you familiar with the lease terms that  
9 you would provide to unleased parties with the coalbed  
10 methane lease?

11 A. Yes, sir.

12 Q. And what would those terms be?

13 A. Twenty dollars per acre bonus, one-eighth  
14 royalty, five year primary term and five dollar delay  
15 rentals.

16 Q. And do you think that those terms represent  
17 a fair and reasonable compensation for drilling rights for a  
18 coalbed methane lease in this are?

19 A. Yes, they do.

20 Q. What percentage of the coal estate does  
21 GeoMet have under lease?

22 A. At this point in time 84.29%.

23 Q. And what about the oil and gas estate?  
24  
25

1           A.       68.9215%.

2           Q.       What percentage of the oil and gas estate  
3 are you seeking to pool?

4           A.       Of the oil and gas estate, 31.07875%.

5           Q.       And what about the coal estate?

6           A.       15.71%.

7           Q.       Does this unit also require an escrow  
8 requirement?

9           A.       Yes, it does.

10          Q.       Okay. And has an Exhibit B submitted to the  
11 Board?

12          A.       Yes.

13          Q.       Are you requesting the Board to pool the  
14 unleased parties listed on Exhibit B?

15          A.       Yes, sir, we are.

16          Q.       And are you requesting that GeoMet be named  
17 operator for this unit?

18          A.       Yes, sir, we are.

19          TIM SCOTT: That's all the questions I have for  
20 this witness, Mr. Chairman?

21          BENNY WAMPLER: You had a hand out for C-47. Did  
22 you cover that?

23          TIM SCOTT: That's E, is it not?

24



1           BENNY WAMPLER: It's Exhibit E. Has it been  
2 modified?

3           TIM SCOTT: No, sir. No, sir. We did not provide  
4 those at the outset, and so we brought those to the hearing  
5 with us---.

6           BENNY WAMPLER: Okay.

7           TIM SCOTT: To be included as part of the  
8 application.

9           BENNY WAMPLER: I just wanted to get that on  
10 record.

11          TIM SCOTT: Okay.

12          BENNY WAMPLER: Other questions from members of the  
13 Board of this witness?

14               (No audible response.)

15          BENNY WAMPLER: Call your next witness.

16          TIM SCOTT: Okay.

17                       JEFFERY HAROLD TAYLOR

18                       DIRECT EXAMINATION

19 QUESTIONS BY MR. SCOTT:

20               Q.       Mr. Taylor, would you state your name,  
21 please?

22               A.       Jeffery Harold Taylor.

23               Q.       And by whom are you employed?  
24

--

1           A.       GeoMet Operating Company, Incorporated.

2           Q.       Are you familiar with GeoMet's application  
3 for this particular unit?

4           A.       Yes.

5           Q.       Are you familiar with the total proposed  
6 depth of this well?

7           A.       Yes, I am.

8           Q.       And what would that be?

9           A.       2,021 feet.

10          Q.       Are you requesting...let's see---.

11          TIM SCOTT: Mr. Chairman, the AFE that we provided  
12 has a total depth estimate of 2,050 feet, and that should be  
13 what, Mr. Taylor?

14          A.       2,021.

15          TIM SCOTT: So I will provide a revised Exhibit C  
16 to the Board.

17          BENNY WAMPLER: Okay.

18          TIM SCOTT: As soon as we get that prepared and  
19 signed off on. Mr. Taylor said there's new information about  
20 that total depth.

21          SHARON PIGEON: What was that again? I'm sorry.

22          TIM SCOTT: It's 2,000---.

23          A.       21.

24

1                   TIM SCOTT: ---21 feet.

2                   Q.       Are you familiar with the estimated reserves  
3 of this unit?

4                   A.       Yes.

5                   Q.       And what would those be?

6                   A.       638 million to 1.036 BCF.

7                   Q.       Are you also familiar with the well cost for  
8 this proposed well?

9                   A.       Yes.

10                  Q.       And what is the estimate dry hole cost?

11                  A.       125,000.

12                  Q.       Okay.

13                  Q.       The well cost being \$325,975.

14                  Q.       Did you participate in preparing an AFE for  
15 this particular well?

16                  A.       Yes.

17                  Q.       Okay. Does the AFE include a reasonable  
18 charge for supervision?

19                  A.       Yes.

20                  Q.       And in your opinion, would the granting of  
21 this application promote conservation and prevent waste and  
22 protect correlative rights?

23                  A.       Yes.

24

1           TIM SCOTT: That's all the questions I have for Mr.  
2 Taylor.

3           BENNY WAMPLER: Questions from members of the  
4 Board?

5           BILL HARRIS: Mr. Chairman, I notice...I know we  
6 asked a question about dry hole cost, but we don't have that  
7 listed separately. I mean, the amount we have...we have a  
8 drill and then completed. Was it listed somewhere else? I  
9 think you mentioned 125,000. We have a 138,200 and 187.

10           A.       Yeah, and basically those two costs are to  
11 drill and to complete. The...what would come out of that,  
12 the dry hole, would be the production casing and the  
13 cementing, \$12,500, and \$15,694 for production casing. And  
14 also the wire line logging case toll.

15           TIM SCOTT: But the dry hole costs would include  
16 plugging, is that correct?

17           A.       Yes.

18           BILL HARRIS: Mr. Chairman, is it traditional that  
19 we have that separated out? I know that different companies  
20 do that differently, but if we're going---.

21           BENNY WAMPLER: Typically, if it's going to be  
22 testified to, you need to show it on here.

23           TIM SCOTT: Okay.

24

--

1           BILL HARRIS: So we should have a separate column  
2 then for the dry hole where those amounts are removed?

3           BENNY WAMPLER: Well, at least the total identified  
4 so that it would come up and be identified as dry hole costs,  
5 however they do it.

6           TIM SCOTT: We'll do that.

7           BENNY WAMPLER: Other questions from members of the  
8 Board?

9           (No audible response.)

10          BENNY WAMPLER: Do you have anything further?

11          TIM SCOTT: No, sir. I just ask that this  
12 application be approved.

13          BENNY WAMPLER: Is there a motion?

14          DONALD RATLIFF: Motion to approve, Mr. Chairman.

15          JIM McINTYRE: Second.

16          BENNY WAMPLER: Motion and second. Any further  
17 discussion?

18          (No audible response.)

19          BENNY WAMPLER: All in favor, signify by saying  
20 yes.

21          (All members say yes.)

22          BENNY WAMPLER: Opposed, say no.

23          (No audible response.)

24

1           BENNY WAMPLER: You have approval. Now, did I  
2 understand you correctly, that you're requesting to combine  
3 the next three?

4           TIM SCOTT: Mr. Taylor does have something he'd  
5 like to clarify with the Board.

6           JEFFERY TAYLOR: On the 164, the reserve number 1.4  
7 BCF, that was a gas in place number. As this reads under  
8 paragraph B, they estimate the production over the life of  
9 the proposed well, and I would like to go back and correct  
10 that and I apologize for my mistake there.

11          BILL HARRIS: So 164.

12          JEFFERY TAYLOR: Yes, on the previous one.

13          BENNY WAMPLER: Number 16. What number are you  
14 saying it should be?

15          JEFFERY TAYLOR: It should be what is in the  
16 application.

17          BENNY WAMPLER: Okay.

18          BILL HARRIS: You know, since these are  
19 estimated---. Well, I guess that's a wide range, though. I  
20 mean, I don't know how particular we need to be about the  
21 numbers, but I mean, if it's well over the number mentioned,  
22 I think that's what may have happened earlier.

23          BENNY WAMPLER: Yeah, he just clarified that.

24

1           BILL HARRIS: Needs to be clarified.

2           TIM SCOTT: I was just in a different mind set  
3 there. I apologize.

4           BENNY WAMPLER: Mr. Scott, did you request to  
5 combine 18, 19 and 20?

6           TIM SCOTT: Yes, sir, I sure did.

7           BENNY WAMPLER: I'll call those, a petition from  
8 GeoMet Operating Company, Incorporated for pooling of coalbed  
9 methane unit Rogers 167 CBM Unit B-45, Docket Number VGOB-04-  
10 1214-1378; and a petition from GeoMet Operating Company,  
11 Incorporated for pooling of coalbed methane unit Rogers 168,  
12 CBM Unit C-44, Docket Number VGOB-04-1214-1379; and finally,  
13 a petition from GeoMet Operating Company, Incorporated for  
14 pooling of coalbed methane unit Rogers 169 CBM Unit B-44,  
15 Docket Number VGOB-04-1214-1380. We'd ask the parties that  
16 wish to address to Board in these matters come forward at  
17 this time.

18           We're discussing your handout of the exhibits that  
19 were not included in the original application, of how to  
20 treat those, whether or not to treat them as revised.

21           TIM SCOTT: Well, they wouldn't be revised if they  
22 weren't there to begin with.

23           SHARON PIGEON: They're revised from what you filed  
24

1 originally.

2           TIM SCOTT: Which would have been, they were not  
3 included in the original.

4           BENNY WAMPLER: He didn't have it filed.

5           TIM SCOTT: Yes, ma'am.

6           SHARON PIGEON: They should be noted as revised on  
7 the order.

8           TIM SCOTT: Yes, ma'am. That's correct.

9

10                           DONALD D. PATTON

11                           DIRECT EXAMINATION

12 QUESTIONS BY MR. SCOTT:

13           Q.       Mr. Patton, just as a preliminary matter, we  
14 had discussed just a moment ago that the parties here to  
15 be... that we're asking to be pooled in these particular  
16 units are the same individuals, are they not?

17           A.       Yes, they are.

18           Q.       And typically we call those individuals the  
19 Rogers cousins, and they don't talk to anybody about  
20 anything. So we'll go over this and what I'll do when we get  
21 to Mr. Taylor is we'll take each of the wells individually as  
22 far as cost and so on, but this information should be fairly  
23 general.

24

--



1 Q. Would you state your name, please?

2 A. My name is Donald D. Patton.

3 Q. And by whom are you employed?

4 A. GeoMet Operating Company, Inc.

5 Q. And what is your job description, please?

6 A. As a consulting landman, lease acquisition,

7 negotiations, title examination and landowner relations.

8 Q. Are you familiar with GeoMet's application

9 for these particular...these three units?

10 A. Yes, sir, I am.

11 Q. Are these units located in the Oakwood

12 coalbed gas field number one?

13 A. Yes, they are.

14 Q. Do these units each comprise 80 acres?

15 A. Yes, they do.

16 Q. Does GeoMet own drilling rights in these

17 units?

18 A. Yes, sir, they do.

19 Q. Are there any respondents listed as unleased

20 on Exhibit B to the application who should be dismissed from

21 the application?

22 A. No, sir, there aren't.

23 Q. How was notice provided to the respondents

24

1 on Exhibit B?

2 A. By certified mail return receipt requested,  
3 and by official publication.

4 Q. Are there any unknown owners in this unit?

5 A. No, sir, there are not.

6 Q. Have these parties been...have attempts been  
7 made to contact these parties regarding entering into a  
8 voluntary agreement?

9 A. Yes, sir, they have.

10 Q. And have you filed proofs of publication and  
11 mail certifications with regard to mailing with the Board?

12 A. Yes, sir, we have.

13 Q. Okay. We've established again that GeoMet  
14 is authorized to conduct business in Virginia, is that  
15 correct?

16 A. That is correct, sir.

17 Q. And that they are registered with the  
18 Department of Mines, Minerals and Energy?

19 A. That is correct.

20 Q. And that a blanket bond has been filed?

21 A. Yes, it has.

22 Q. What lease terms would be offered to these  
23 unleased parties for a coalbed methane lease?

24

--

1           A.       Basically, \$20 per acre bonus, one-eighth  
2 royalty, five year primary term and five dollar per acre net  
3 rentals.

4           Q.       And in your opinion, does this represent  
5 reasonable and fair compensation to be paid for a coalbed  
6 methane lease?

7           A.       Yes, sir, it does.

8           Q.       What percentage of the coal estate does  
9 GeoMet have under lease? I need to take them just one at a  
10 time.

11          A.       In the Rogers 167, they have 100%; Rogers  
12 168, they have 100%; and Rogers 169, they have 100%.

13          Q.       What percentage of the oil and gas estate  
14 does GeoMet have under lease?

15          A.       In the Rogers 167, they have an 85.45125%;  
16 Rogers 168, they have an 87.5%; and in the Rogers 169, they  
17 have an 81.62375%.

18          Q.       Just for information to the Board, is this  
19 well to be drilled on what is known as the Rogers Tract No.  
20 2?

21          A.       Yes, sir, it is.

22          Q.       And as far as the percentages of ownership,  
23 Rogers Tract No. 2 has an inconsistent ownership with regard  
24

1 to other Rogers tracts?

2 A. That is correct, sir.

3 Q. Is that correct?

4 A. That is correct.

5 Q. With regard to this unit...these units, is  
6 there an escrow requirement?

7 A. Yes, sir, there is.

8 Q. And has an Exhibit E been provided to the  
9 Board?

10 A. Yes, it has.

11 Q. Revised Exhibit E, excuse me.

12 A. That is correct.

13 Q. Are you requesting the Board to pool the  
14 unleased parties listed on Exhibit B?

15 A. Yes, sir, we are.

16 Q. And are you requesting that GeoMet be named  
17 operator for this unit?

18 A. Yes, sir, we are.

19 TIM SCOTT: That's all the questions I have for  
20 this witness.

21 BENNY WAMPLER: Before you leave, will he be the  
22 witness that will testify about the subsequent plat that  
23 you---?

24

1           TIM SCOTT: As a matter of fact---.

2           A.       Yes.

3           BENNY WAMPLER: Why don't you just go ahead and

4 address that.

5           Q.       Mr. Patton, we have provided to the Board a

6 revised plat, an Exhibit A---.

7           A.       Yes, sir.

8           Q.       ---to reflect a different drilling location

9 within the 80 acre unit, is that correct?

10          A.       That is correct, sir.

11          Q.       And why was that done?

12          A.       Basically, because of surface locations.

13          Q.       Were there any additional parties required

14 to be notified as a result of a relocation of this well bore?

15          A.       No, sir, the parties remain the same.

16          Q.       And the interests are the same as reflected

17 on Exhibit B?

18          A.       Yes, they are.

19          Q.       And Exhibit E?

20          A.       Yes, they are.

21          BENNY WAMPLER: I may have a question. I'm not

22 sure.

23          TIM SCOTT: Yes, sir.

24

1                   BENNY WAMPLER: You're not in the drilling window  
2 with B-44.

3                   BOB WILSON: Mr. Chairman, we have received for the  
4 permitting process an application for an exception to that  
5 location due to a coal owner request that the original  
6 location be moved.

7                   A.       Yes, sir.

8                   TIM SCOTT: Thank you.

9                   BENNY WAMPLER: Any other questions from members of  
10 the Board?

11                  MASON BRENT: Just to comment.

12                  BENNY WAMPLER: Mr. Brent.

13                  MASON BRENT: That's the first...in all these so  
14 far, that's the first testimony we've had with regard to  
15 Exhibit A. I think it would be good to address those in the  
16 future. Just give us some testimony on well location.

17                  BENNY WAMPLER: Yes.

18                  MASON BRENT: Whether they're in the drilling  
19 window or not.

20                  TIM SCOTT: Okay. Actually, when these were  
21 originally filed back in November, the negotiations were  
22 ongoing with Jewell Smokeless. So we certainly will do that.

23                  BENNY WAMPLER: Call your next witness.

24

--

1            TIM SCOTT: One thing we did, too, Mr. Chairman, if  
2 it's acceptable to the Board, so that it doesn't cloud the  
3 plat, we've actually decided for my aging eyes to actually do  
4 a tract identification exhibit to the plat if that's okay  
5 with the Board. I think it looks a little bit easier to  
6 follow along with.

7            BENNY WAMPLER: Okay.

8

9                            JEFFERY HAROLD TAYLOR

10                           DIRECT EXAMINATION

11 QUESTIONS BY MR. SCOTT:

12            Q.        Mr. Taylor, would you please state your  
13 name?

14            A.        Jeffery Harold Taylor.

15            Q.        And by whom are you employed?

16            A.        GeoMet Operating Company, Incorporated.

17            Q.        Are you familiar with GeoMet's application  
18 for these units that are now before the Board?

19            A.        Yes, I am.

20            Q.        Are you familiar with the target depth for  
21 each of these wells?

22            A.        Yes, I am.

23            Q.        And would you please tell us what those are  
24

--

1 for each of those?

2 A. Well 167 would be 1845 feet; well 168, 1967  
3 feet; well 169 would be 1904 feet.

4 Q. With regard to each of these wells, would  
5 you tell us what the reserve estimates are?

6 A. 167 would be between 632 million and 1.027  
7 billion cubic feet; well 168 will be between 627 million and  
8 1.019 billion cubic feet; well 169 will be between 625  
9 million and 1.015 billion cubic feet.

10 Q. Has an authorization for expenditure been  
11 signed and provided to the Board with this application?

12 A. Yes, it has.

13 Q. Did you assist in the preparation of the  
14 AFEs for each of these units?

15 A. Yes, I did.

16 TIM SCOTT: Just as a point of clarification, do  
17 you all not want us to testify as to dry hole cost, or do you  
18 want us to revise Exhibit C?

19 BENNY WAMPLER: We need the dry hole cost and the  
20 completed well.

21 TIM SCOTT: And then revise Exhibit C and submit it  
22 to the Board?

23 BENNY WAMPLER: Yes.

24

--





1           Q.       And in your opinion, would granting this  
2 application be in the best interest of conservation,  
3 protection of correlative rights and prevention of waste?

4           A.       Yes, it would.

5           TIM SCOTT: That's all the testimony.

6           BENNY WAMPLER: Questions of this witness, members  
7 of the Board? Let me go back and ask regarding the  
8 percentages of unit leased.

9           A.       Yes, sir.

10          BENNY WAMPLER: Are the percentages, any of them,  
11 changed from what you have in your Exhibit B in the  
12 application?

13          DONALD PATTON: No, sir.

14          BENNY WAMPLER: Then did you state what you wanted  
15 pooled of those?

16          TIM SCOTT: Yes, sir, I believe we did.

17          DONALD PATTON: We could restate that, if you'd  
18 like.

19          TIM SCOTT: Yes.

20          DONALD PATTON: He's talking about the unleased  
21 interest?

22          TIM SCOTT: Yes. What percentage of the coal  
23 estate would you like?

24

--

1           DONALD PATTON: The coal estate, we have 100%  
2 leased in all three wells.

3           TIM SCOTT: Then in the oil and gas estate.

4           DONALD PATTON: Then the oil and gas estate what we  
5 have unleased in the Rogers 167 is 18.54875%; the Rogers 168,  
6 12 ½%; and the Rogers 169, 18.3765%.

7           TIM SCOTT: And you're asking the Board to pool  
8 these interests?

9           DONALD PATTON: Yes, sir, we are.

10          BENNY WAMPLER: Thank you. Any other questions  
11 from members of the Board?

12          MASON BRENT: I have just one request.

13          BENNY WAMPLER: Mr. Brent.

14          MASON BRENT: On behalf of the intellectually  
15 challenged such as myself, in the future you anticipate to  
16 combine, or requesting that you combine some of these, it  
17 would be helpful if you could provide us with just a recap.

18          TIM SCOTT: I'm not going to do anymore because I  
19 get confused. I'd rather just go through the litany over and  
20 over again because I'm more confused than he was.

21          BENNY WAMPLER: It's fine to do it, but if you do  
22 the recap sheet, that is helpful.

23          TIM SCOTT: Mr. Patton is excellent at  
24

1 spreadsheets, as he's shown you earlier today, so we'll do  
2 that if we decide to do that in the future.

3 BENNY WAMPLER: Anything further?

4 (No audible response.)

5 BENNY WAMPLER: Do you have anything further?

6 TIM SCOTT: No, sir. Just ask that the application  
7 be approved.

8 BENNY WAMPLER: Is there a motion?

9 JIM McINTYRE: Motion to approve, Mr. Chairman.

10 MASON BRENT: Second.

11 BENNY WAMPLER: Motion and second. Any further  
12 discussion?

13 (No audible response.)

14 BENNY WAMPLER: All in favor, signify by saying  
15 yes.

16 (All members say yes.)

17 BENNY WAMPLER: Opposed, say no.

18 (No audible response.)

19 BENNY WAMPLER: You have approval.

20 TIM SCOTT: Thank you, sir.

21 BENNY WAMPLER: Merry Christmas.

22 TIM SCOTT: Same to you.

23 BENNY WAMPLER: The last item on the agenda is the  
24

1 November minutes. You were handed those earlier today. If  
2 there's any discussion or corrections; otherwise, I'll  
3 entertain a motion to approve.

4 BILL HARRIS: I have minutes dated October.

5 BENNY WAMPLER: We handed you out---.

6 BILL HARRIS: I must have---. Well, I guess I do.

7 MASON BRENT: Mr. Chairman, I know Mr. Harris is  
8 reading the minutes, but since he wasn't here the last  
9 meeting he can't make a motion, I make a motion we approve  
10 them.

11 BENNY WAMPLER: I have a motion to approve. Is  
12 there a second?

13 DONALD RATLIFF: Second.

14 BENNY WAMPLER: Motion and second. Any further  
15 discussion?

16 (No audible response.)

17 BENNY WAMPLER: All in favor, signify by saying yes.

18 (All members say yes.)

19 BENNY WAMPLER: Opposed, say no.

20 (No audible response.)

21 BENNY WAMPLER: Thank you all very much. Merry  
22 Christmas.

23

24

~

1 STATE OF VIRGINIA,

2 COUNTY OF BUCHANAN, to-wit:

3 I, Sonya Michelle Brown, Court Reporter and Notary  
4 Public for the State of Virginia, do hereby certify that the  
5 foregoing hearing was recorded by me on a tape recording  
6 machine and later transcribed under my supervision.

7 Given under my hand and seal on this the 12th day  
8 of January, 2004.

9

10 NOTARY PUBLIC

11

12 My commission expires: August 31, 2005.

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